

The Degree of Readiness in Practicing ESG Concepts in Higher Learning Institutions

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ABSTRACT

Environmental, Social and Governance (ESG) emerged as one of the competitive strategies, especially after the world experienced financial turbulence due to the pandemic. The unprecedented situation raises alarm in managing risks, and an increasing number of organisations choose sustainability as their agenda to grow. Most banks started implementing ESG due to its risk management capability, and the concept captured most of the investors' attention. ESG is seen as a strategy opted for Corporate Financial Performance, and few were seen in higher learning institutions due to the nature of education. Thus, this study is aimed to examine the understanding of ESG concepts in higher learning institutions apart from identifying the degree of readiness upon ESG concepts and the strategies in dealing with the readiness. The current study adopted the Society of Automotive Engineers (SAE) J4000 standard model that is duly modified to meet the needs of educational practice. Quantitative descriptive analysis is used to analyse the data collected from several higher learning institutions. Based on the previous studies, it is expected that the degree of readiness varies based on the respondents' background knowledge, designation, goals, and strategy of the institution. The current study could lead to significant findings of ESG implementation in higher learning institutions.

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1. Introduction

Higher learning institutions must become more efficient, focused, and successful to reach the requirements of the advanced higher education market globally and technologically. Universities must adopt a business innovativeness approach to maintain the sustainability of rapid changes and resource constraints in their working environment. Executing Environmental, Social, and Governance (ESG) in colleges or universities is a great chance to cultivate and expand the organisation's quality and immediately achieve Sustainable Development Goals (SDG).

Nevertheless, only a few analyses have considered implementing ESG in higher learning institutions. There are two references regarding ESG in higher learning institutions. The first reference describes that the higher learning institutions sector is early in its ESG reporting journey. The second reference claims that universities must wisely plan strategies to foster a broader ESG strategy in their institution. Higher learning institutions are attractive to the stakeholders. Implementation of ESG in higher learning institutions improves the institution's quality simultaneously. It is supported by the fact that global higher education

institutions' ranking has included the ESG indicators in the requirements conducted by Quacquarelli Symonds (QS Rank).

For example, Universiti Malaysia Pahang Al-Sultan Abdullah (UMPSA), in Pahang, Malaysia, was ranked 565 best in the world and 133 best in the QS Sustainability 2024 Rating in the world, which rated universities based on actions taken on Environmental, Social, and Governance issues. This rating is based on three main scopes of assessment: Environmental Impact 45 percent, Social *Impact* 45 percent, and *Governance* 10 percent involving 1,403 listed universities worldwide. This ranking also placed UMPSA in the #1 best MTUN and #12 (out of 26 universities) best in Malaysia. (Source: UMPSA Diiktiraf Dunia Dalam ESG, Mimi Rabita Abdul Wahit, Pusat Komunikasi Korporat, <https://news.umpsa.edu.my/awards/umps-a-diiktiraf-dunia-dalam-esg>).



Figure 1. Universiti Malaysia Al-Sultan Abdullah (UMPSA) in Pekan, Pahang, Malaysia

1.1 Research Objectives

- i. To examine the understanding of the ESG concept among higher learning institutions.
- ii. To identify the degree of readiness in practising ESG among higher learning institutions.
- iii. To identify the strategies for dealing with ESG readiness.

1.2 Research Questions

- i. Why is environmental sustainability a top priority for your institution?
- ii. Has your institution made any goals connected to sustainability?
- iii. Do you have a plan to reach your institution's goals?
- iv. Do you have the people, systems, structures, and financial resources needed for your institution's strategy? (EY Parthenon, 2021).

Table 1. ESG Framework

Environment	Social	Governance
<ul style="list-style-type: none"> ▪ Renewable energy sources or energy use ▪ Program of waste management ▪ Climate change issues on attitudes and actions ▪ Management of supplier ▪ Policies on investment 	<ul style="list-style-type: none"> ▪ Culture and working environment ▪ The environment of student learning ▪ Health and safety of employees and student ▪ Practices of compensation ▪ Preventive of sexual harassment on diversity, inclusion, and policies ▪ Development of training and professional 	<ul style="list-style-type: none"> ▪ Diversity of academic councils, governing boards, and other standing bodies ▪ Accounting and financial transparency ▪ Compensation for executive

2. Literature Review

2.1 ESG Readiness

“Readiness” is the willingness and capacity to apply a new practice or accomplish an existing practice in a

new way by a person, group of individuals, or organisation. Two important subcomponents of readiness are a willingness to be involved and the capability to join a new activity using existing resources (Peterson, 2013). Peterson (2013) stated that readiness is also understood to manifest within individuals, systems, and organisations.

2.1.1 Individual Readiness

“The degree to which a person is emotionally and cognitively predisposed to consciously accept, embrace, and implement a specific strategy to change the status quo” (Holt et al., 2007).

2.1.2 Organisational Readiness

“Members of the organisation change commitment and self-efficacy to carry out organisational change.” (Weiner, Amick, & Lee, 2008).

2.1.3 System Readiness

“System readiness is a whole level of readiness to meet a situation and carry out a planned course of actions that requires readiness assessment as well as an integration level assessment of all system components are necessary” (Austin & York, 2015).



Figure 2. Conceptual Model for Readiness and Factors Affecting Readiness

2.2 Environmental, Social, Governance (ESG) Concepts

In 2005, the word ESG was introduced. A study called “Who Cares Wins” was initiated to find ways to integrate ESG principles into the capital market. ESG, in short, Environmental, Social, and Governance, is widely used in a company's Corporate Social Responsibility or CSR. Lately, ESG information is everyone's concern due to its long-term impact on the stakeholders' investment and only limited to shareholders. Numerous names are related to ESG, including Corporate Social Responsibility Disclosure (CSRD), Corporate Social Disclosure (CSD), etc. (Almeyda & Darmanysa, 2019).

In 2006, The United Nations (UN) mentioned ESG for the first time when it launched the Principles for Responsible Investment (PRI), which recommended that investors emphasise other concerns and not only profit. All organisations worldwide are likely to contribute to achieving some or all these goals based on their respective abilities. Earlier, companies such as financial firms effectively executed environmental, social, and governance (ESG) principles to simultaneously contribute to the company's achievement of SDGs. Environmental, social, and governance (ESG) developments by the United Nations (UN) continue with Sustainable Development Goals (SDG), 17 ESG goals targeted to develop by 2030 in creating a “world free of poverty, hunger, disease and want, where all life can thrive.”

The frameworks of environmental, social, and governance (ESG) development and evolution by several organisations are employed by private equity general and limited partners. The Principles for Responsible Investment's ESG Guidance for Private Equity is the first article covered on June 13, 2018. The second article is about the United Nations Global Compact ESG principles, and the third is about the United Nations Sustainable Development Goals, which comprises seventeen cutting-edge principles that the investment community is beginning to incorporate.

2.2.1 Environmental Practices

Environmental practices identify how a company executes as an agent of the natural environment. Colleges and universities demand an interest in engaging ESG on campus. Based on the Times Higher Education study, most potential international students decide on a university based on its sustainability commitment rather

than location.” Though ESG and sustainability are new or trending terms, the ethos of environmental friendliness and community engagement, the institute may already have several practices, policies, projects, and people focused on excellent outcomes that genuinely fit your goals.

Beyond educational content, curriculum, and communication, the student body can drive ESG and sustainability for the institute. Many notable universities, including Berkeley, the University of Pennsylvania, and Harvard, provide one-time grants to students, faculty, and staff to facilitate projects such as green pilots, sustainability, and inclusion (Source: “How Colleges and Universities Plan the Right ESG & Sustainability Mission (Part 2)”).

2.2.2 Social Practices

People, the planet, and profit will be protected with proper control of environmental activities. Thus, the companies should be socially responsible for the three-dimensional concept (Tarmuji et al., 2016).

Table 2. Three-Dimensional Concept of Social Practices

Social Responsibilities	Social Responsiveness	Social Issues
Economic	Defence	Employee Discrimination/Safety
Legal	Reaction	Consumers
Ethical	Accommodation	Shareholders
Discretionary	Pro-Action	Environment
		Product Safety

The company should be responsive and socially responsible to social issues to earn the trust and loyalty of its customers, society, and workforce.

2.2.3 Governance Practices

Governance includes autonomy and accountability issues. There are three areas of higher education institution autonomy: academic, institutional, and financial autonomy (Pandey, 2004).

Table 3. Three Areas of Autonomy in Higher Education Institutions

Academic Autonomy	Institutional Autonomy	Financial Autonomy
Freedom for faculty members to operate freely that lead to the intellectual wealth of great quality	Freedom of operational decision-making of the institute's constituents	Freedom to raise and use funds according to its priorities and internal rules

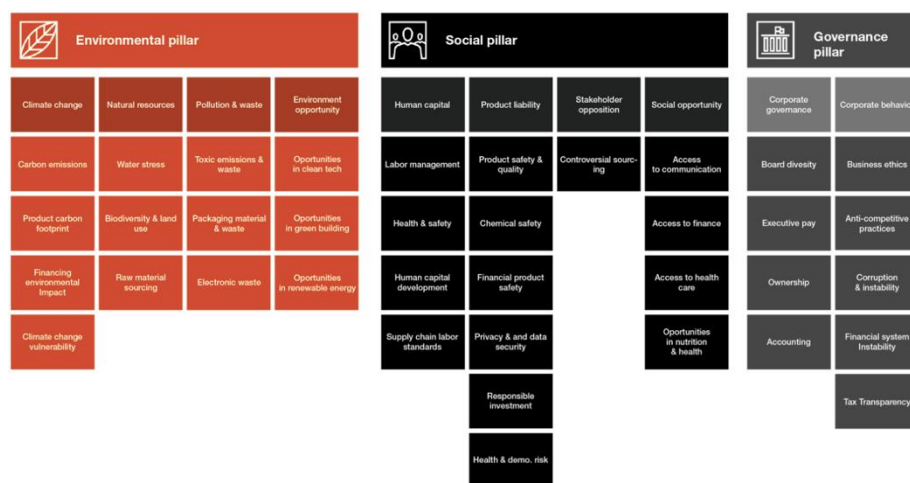


Figure 3. Key Elements of ESG

3. Methodology

There are several methodologies were analysed in this study:

Table 4. Research Methodologies

Research Design	Correlational research
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Population	All levels of staff from selected public and private higher institutions in Malaysia UCYP, KYP, UITM, UMP, PSDC, UNIPSAS, UUM, UTM, UIAM, UTAR, UNIKL, WIDAD, MTNP
Sampling Technique	Stratified sample
Sample Size	144
Unit of Analysis	All academic and non-academic staff from several higher institutions
Instrument	Questionnaire
Validity of Instrument	Face and content validity
Plan of Data Analysis	SPSS
Response Rate	144 = 73%

4. Results and Discussion

The key findings are organised throughout the study into several sections, illustrated in the table below. Figures 1 to 4 illustrate the respondents understanding and readiness level towards ESG in their institutions.

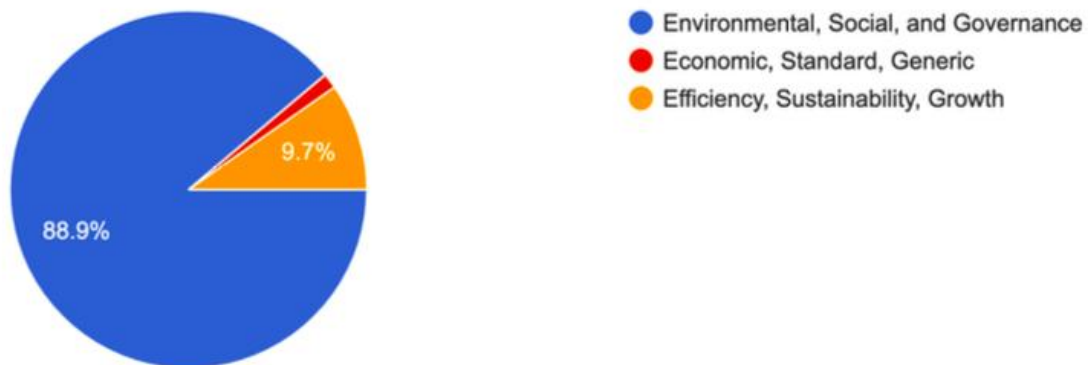


Figure 4: The Acronym of ESG

88.9% of the respondents understand the ESG acronym, Environmental, Social, and Governance.

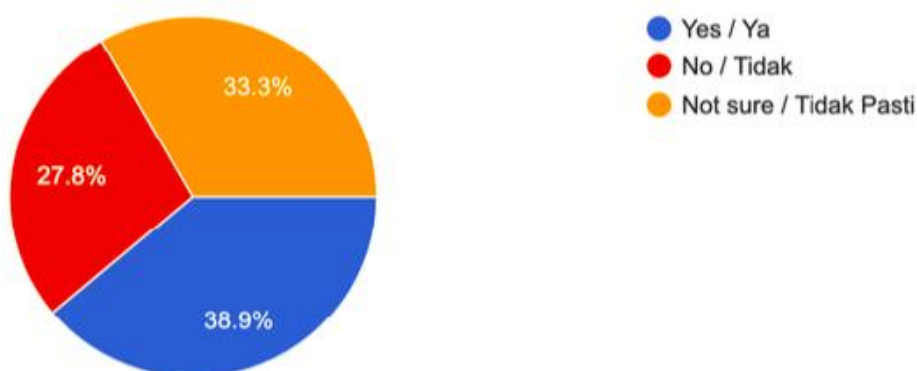


Figure 5: The Concept of ESG

38.9% of the respondents understand the concept of ESG to be implemented in their higher learning institutions.

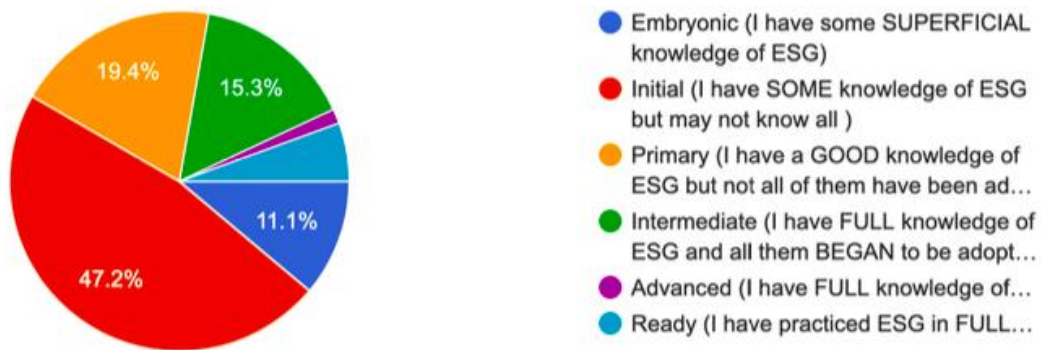


Figure 6: The Readiness Level of ESG

47.2% of the respondents rate themselves at the level of ESG readiness at the initial level, in which they have some knowledge of ESG but may not know all.

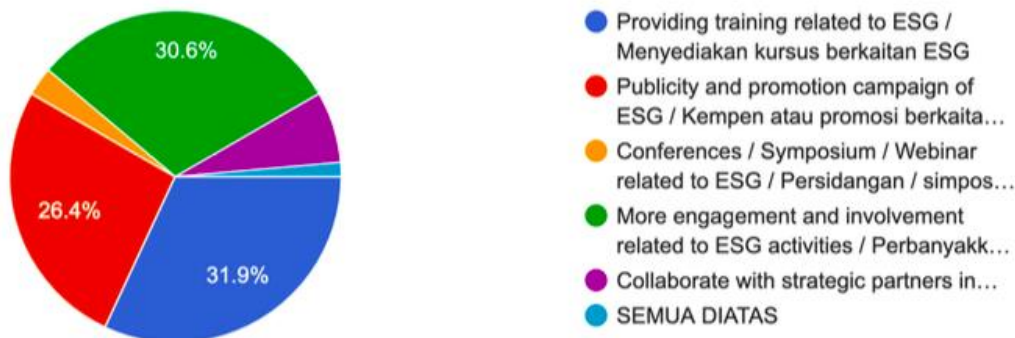


Figure 7: The Exposure Need to Understand ESG

31.9% of the respondents responded that the kind of exposure they need to understand ESG is providing training related to ESG.

4.1 Mean and Standard Deviation

The mean and standard deviation analysis is to understand the factors' average value and the dispersion degree.

Table 5. Mean and Standard Deviation of All Variables

Variables	Mean	Std. Deviation
ESG Concepts	1.6076	.7429
ESG Readiness	1.6875	.6299
ESG Strategies	4.333	.8530

	N	Minimum	Maximum	Mean	Std. Deviation
mean_esgconcept	144	1.00	3.00	1.6076	.7429
mean_esgreadiness	144	1.00	3.00	1.6875	.6299
mean_esgstrategies	144	1.00	5.00	4.3333	.8530

4.2 Reliability Analysis

The reliability analysis tests the measuring instrument's stability and consistency. Consistency shows how well to measure the concept of the items as a set. Cronbach's alpha shows a reliability coefficient on how well the items positively correlated in a set.

Table 6. Reading of Cronbach's Alpha

Cronbach's Alpha	Reliability
> 1.00	Very good
> 0.80	Good
0.60 - 0.70	Acceptable
< 0.60	Poor

Variables	Cronbach's Alpha	Number of Items
ESG Concepts	.678	4
ESG Readiness	.882	2
ESG Strategies	.819	6

No. of Items	Sum of the Item Variances	Variance of Total Scores	Cronbach's Alpha	Reliability
12	6.725	16.740	.658	Acceptable

5. Conclusion

The heightened significance of the ESG (Environmental, Social, and Governance) concept within higher education underscores its pivotal role in fostering sustainable growth and development. In this context, applying the ESG concept becomes instrumental for higher education institutions, ensuring their resilience, competitiveness, and innovative capacity while contributing to the nation's sustainable economic trajectory. This research assesses higher education institutions' readiness to implement the ESG concept. A particular emphasis is placed on gauging the awareness levels among academic and non-academic staff, alongside identifying requisite strategies for effective integration.

A discernible trend emerges in a succinct overview of findings drawn from sampled public and private higher education institutions. The study reveals a discernible uptick in awareness concerning the ESG concept, with 88.9% of respondents acknowledging its existence and demonstrating the ability to identify its key components. However, the depth of understanding among these respondents remains nascent. While familiarity with the concept is evident, a more profound comprehension of its multifaceted role in ensuring the sustainability of the education industry and its effective implementation within institutional frameworks is lacking. Concerted efforts are recommended to bridge this knowledge gap and enhance the assimilation of the ESG concept. These efforts could take the form of heightened exposure through initiatives like seminars, awareness campaigns, and collaborations with pertinent organizations. Such endeavours are poised to elevate comprehension levels among academic and non-academic staff and serve as conduits for wider dissemination of the ESG ethos within the university or college community.

Moreover, a strategic move involves introducing the ESG concept holistically across the university community, including students. By integrating ESG principles into the academic curriculum, institutions can instil a foundational awareness of sustainability and social responsibility early. The envisioned outcome is a cadre of graduates' adept in their chosen academic disciplines and attuned to the broader implications of sustainability within their professional landscapes. Ultimately, as higher education institutions implement the ESG concept, the anticipated benefits transcend institutional boundaries. The holistic integration of ESG principles is poised to fortify the institutions, catalyse broader societal well-being, and contribute substantially to environmental sustainability.

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