

Environmental, Social, and Governance (ESG) Implementation to Support Peken Facebook's Operational Performance for Sustainable Business

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ARTICLE INFO	ABSTRACT
<p>Keyword: ESG; MSMEs; Business sustainability</p>	<p>MSMEs do not yet have role models for the successful implementation of sustainability practices, even though ESG issues have become an interesting topic at the international level, including in Indonesia from 2019 to 2021 for investors and companies as a means of sustainable business performance. By seeing the importance of implementing ESG, Peken Facebook is trying to implement ESG in its operations to maintain its existence. The aim of this research is to determine the implementation of ESG in supporting Peken Facebook's operational performance for sustainable business. This research uses a qualitative description method. Based on the results of the research and discussion, it is found that the implementation of the ESG Scorecard on Peken Facebook is good enough because it can provide informative information so as to get opportunities to access funding in banking to support the sustainable operational performance of Peken Facebook.</p>

1. Introduction

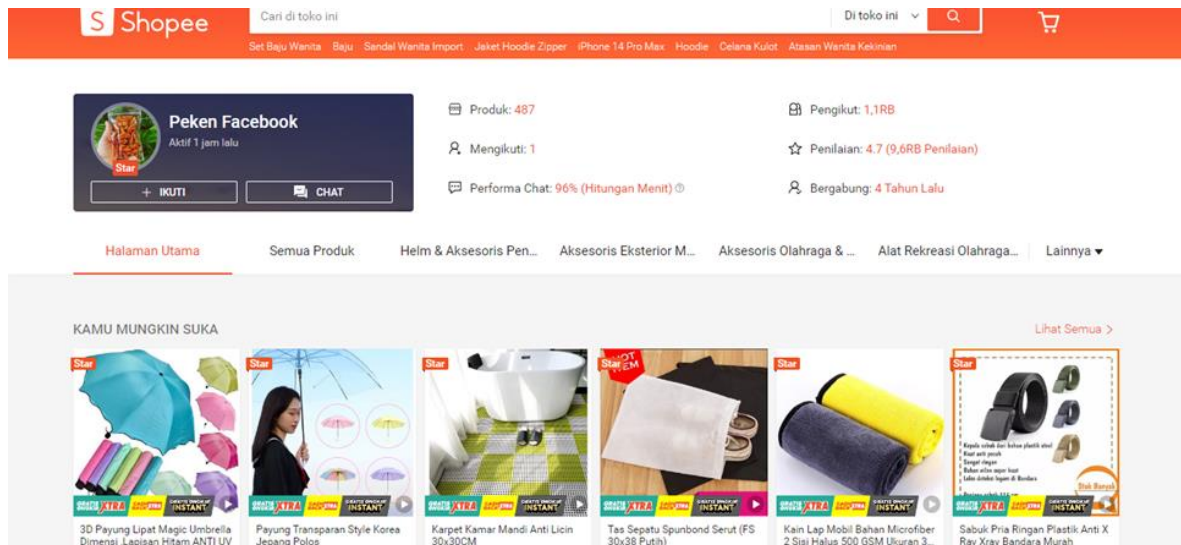
Nowadays, companies, when carrying out every business activity, are required not always to prioritize company profits alone but must also look at the impacts of the company's operational activities (Fernando et al, 2019; Safriani & Utomo, 2020). The many negative impacts of company operational activities on the environment and social surroundings have raised stakeholders' awareness of the importance of protecting the environment and carrying out social responsibility (Sarnisa et al., 2022; Zheng et al., 2021).

Awareness of environmental, social, and governance issues supports the emergence of sustainable investment in Environmental, Social, and Governance (ESG) at the international level, including in Indonesia from 2019 to 2021 (Alamsyah, 2023). ESG is an indicator for assessing the strength of a company's sustainable performance, so it is an essential concern for stakeholders and investors before deciding to provide funds to a company or business venture (Clément et al., 2022; Ferriani & Natoli, 2021; Qoyum et al., 2022).

Many large companies have successfully adopted the implementation of ESG in Indonesia. This adoption was followed by Small and Medium Enterprises (SMEs). Based on the results of a survey conducted by DBS Bank Ltd (DBS Bank) together Bloomberg to more than 800 SMEs that 99 percent of SMEs have prioritized ESG in their business, but 59 percent of SMEs encounter obstacles to implementing ESG, such as funding (Suheriadi, 2022). Likewise, Micro, Small, and Medium Enterprises (MSMEs) are starting to prioritize ESG aspects as part of their strategy for long-term business to fulfill the requirements for applying for business credit in banking so that MSMEs can adapt to climate change, such as pandemics, global warming, drought, floods and others (Harymawan et al., 2022).

One of the Micro, Small, and Medium Enterprises (MSMEs) also implementing ESG is Peken Facebook. Peken Facebook is located in Denpasar and sells various items currently viral in the community, such as snacks, household supplies, fishing equipment, and others with conventional and online sales systems. This MSME has excellent store ratings, sales assessments, and buyer service on Shopee, so it gets an invitation from Shopee to join the star seller program, which is

marked by a star tag on the store profile, every product and every product page sold, as in Figure 1 below.



Source: Peken Facebook Homepage (2023)

Figure 1. Star Tag Display on Store Profile, Each Product, and Each Product Page Peken Facebook on Shopee

The Star Tag is a sign of guarantee for the quality of Star Seller products and services (Shopee, 2023). Recognition as a star seller by Shopee is Peken Facebook's commitment towards star malls in improving business operational performance that is sustainable, environmentally friendly, and transparent to the community.

Research related to ESG has been carried out mostly on large companies where the business entity is a limited liability company. Apart from that, previous research focused more on the impact of implementing ESG on company value, namely that companies can gain superior recognition from society, which impacts sustainability and the company's ability to achieve optimal performance (Safriani & Utomo, 2020). Thus, this research makes a contribution related to the implementation of ESG in supporting Peken Facebook's sustainable operational performance, which was analyzed using the ESG Scorecard concept qualitatively. The ESG Scorecard concept is a collection of information about MSME businesses which consists of two elements: ESG Balance Scorecard Business Profile and ESG Performance Indicator (Harymawan et al., 2022). The problem formulation in this research is: How does ESG implementation support the operational performance of Peken Facebook for Sustainable Business?

2. Research methods

This research is a qualitative descriptive study because it examines the conditions in Peken Facebook. Qualitative data is the type of data used in this research in the form of information obtained from the Key Person (Owner) regarding commitment to implementing ESG in supporting Peken Facebook's sustainable operational performance. Primary data and secondary data are data sources used by researchers. Primary data was collected directly from the sources studied through interviews with the Key Person, and secondary data was collected from various existing sources, such as article references that are relevant to research and documents accessed on Shopee Peken Facebook, such as written documents (customer reviews) as well as documents in the form of images (star tag display). Observation, interviews, and documentation are three research data collection techniques used in this research (Aryana & Mandira, 2023).

3. Results and Discussion

The implementation of ESG is three important aspects that cannot be separated to support sustainable company operational performance (Alsayegh et al., 2020). Three Aspects of ESG, including environmental, social, and governance, are presented in Figure 2.

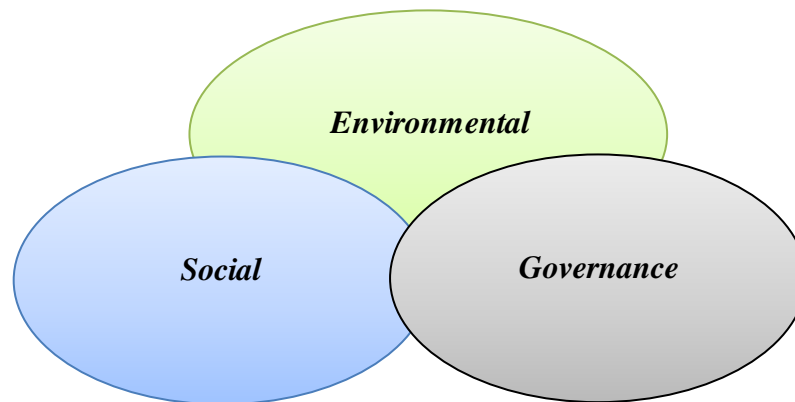


Figure 2. Three Aspects of ESG

The environmental aspect of ESG discusses the use of energy resources in a company, for example, pollution problems, waste problems, use of natural resources, and the impact of behavior on the environment. In ESG, social aspects are a form of the Company's attention to external parties, such as the government, community, buyers, suppliers, and other interested parties. The governance aspect of ESG focuses on the company's internal management. This management process has output in the form of company policies, company standards, company culture, and others (Henisz et al., 2019; Sarnisa et al., 2022).

ESG disclosure is packaged in information disclosure reporting, which can be interpreted as a measuring tool that arises from the impact of environmental, social, and governance practices carried out by the Company (Putri et al., 2023). This is in line with the ESG Scorecard concept as a qualitative ESG implementation analysis tool in supporting sustainable MSME operational performance, which contains two elements: a Balance Scorecard Business Profile and an ESG Performance Indicator (Harymawan et al., 2022).

a. ESG Balance Scorecard Business Profile

ESG Business Profile describes important elements of business to help MSMEs determine future business goals and develop strategies that refer to sustainable business principles. This section includes:

- 1) General profile containing information on the name of the MSME, the year the business started, business criteria, website, etc.
- 2) Commercial profile relating to information on goods or services sold by MSMEs and their target consumers.
- 3) Industry profile containing information about the business categories and business sub-sectors that are already available.
- 4) Employee profile containing information relating to employees, such as the current number of employees and employee turnover over the past year.
- 5) Future Goals (Vision) containing the ideals that MSMEs want to achieve in the future
- 6) Strategic Plan (Mission) with a set of strategic plans to realize the vision that has been set.

b. ESG Performance Indicator

The ESG Performance Indicator measures the sustainable performance of MSMEs. Categories and Indicators on ESG Performance Indicators are:

- 1) Environmental indicators include carbon emissions and packaging.
- 2) Social indicators include sales techniques, product labeling, and employee occupational health and safety (K3).

3) Governance indicators include product design, product life cycle management, business model resilience, supply chain management, business ethics, leadership effectiveness, competitor behavior, leadership change plans, legal and regulatory management, and risk management.

The owner of Peken Facebook said that “Environmental, Social and Governance Aspects, the elements contained in ESG are interrelated to achieve long-term goals which are not merely establishing a business just for profit, but the implementation of ESG itself can maintain the existence of Peken Facebook sustainably and be well received by the surrounding community.” As for ESG Scorecard implementation, qualitatively supporting Peken Facebook’s sustainable operational performance is presented in Table 1, which is reflected in 4 colors. Not yet good is red, good enough is yellow, good is green, and the indicator categories that Peken Facebook needs to pay attention to are blue.

Table 1. Implementation of the ESG Scorecard by Peken Facebook

ESG Balance Scorecard Business Profile		Peken Facebook Balance Scorecard Business Profile
Category	Indicators	
General profile	Name of MSMEs	Peken Facebook
	Year of Business Start	2020
	Business Criteria	Micro
	Website	Shopee website: https://shopee.co.id/pekenfacebook
Commercial profile	Products	The products sold are various items that are currently viral in the community, such as snacks, household equipment, fishing equipment, etc.
	Consumer Target	The entire community from children to adults
Industry profile	Business Category	MSMEs
	Business Sub Sector	There is no Business Sub Sector yet due to the lack of capital available
Employee Profile	Number of employees	30 people, consisting of 10 people with contract status, 17 people with part-time status, and 3 business partners as marketers
	Employee Turnover	There has been no Employee Turnover over the past year.
Future Goals	Everyone	To become the leading retail company of choice for consumers in Bali at affordable prices
Strategic Plan	Mission	<ul style="list-style-type: none"> a. Opening branches in every sub-district in Bali to provide opportunities for fresh graduates who are currently having difficulty finding work b. Register a franchise system to make it easier to get access to capital and reduce business risks c. Create a dropshipping system d. Increase digital marketing via social media (Facebook and TikTok) and e-commerce (Shopee) e. Maintain consistency and timeliness in providing services to customers f. Building a local organization that is trusted, healthy and continues to grow, and is beneficial for customers, suppliers, employees, business partners, and society in general

ESG Performance Indicator		Peken Facebook Performance Indicator
Category	Indicators	
Environmental	Carbon Emissions	Reduction of carbon emissions is carried out by Peken Facebook by doing the following: a. Utilizing online expedition and transportation services to deliver goods ordered by consumers b. Wisely using electrical energy and water during operational hours c. Maintaining a clean environment by not throwing rubbish carelessly. d. Replacing plastic bags with environmentally friendly shopping bags,
	Packaging	For close product delivery is packaged using a paper bag
Social	Sales techniques	Conventional and online sales techniques by providing e-catalogs
	Product Labeling	on shipping packaging
	First aid for employees	Peken Facebook provides first aid and provides work facilities according to health standards. Employees also get work accident insurance facilities through membership in BPJS Employment
Governance	Product Design	There aren't any yet because Peken Facebook doesn't produce its own goods
	Product life cycle management	Implementing product life cycles according to product trends needed by society
	Business model resilience	Effective and efficient
	Supply Chain Management	Implement integrated supply chain management to ensure timely delivery of supplies thereby guaranteeing product availability and delivery of goods to consumers on time
	Business ethics	The business ethical values adhered to by Peken Facebook are honesty and healthy competition with competitor
	Leadership Effectiveness	The effectiveness of leadership is currently controlled directly by the owner
	Competitor Behavior	Competitors' behavior failed to imitate Peken Facebook's business
	Leadership Change Plan	There are no plans to change leadership yet because the current leadership is focused on making Peken Facebook's pilot project to open branch in all sub-districts in Bali
	Legal and Regulatory Management	Legal and regulatory documents are neatly filed
Risk management	Risk management is carried out effectively and efficiently	

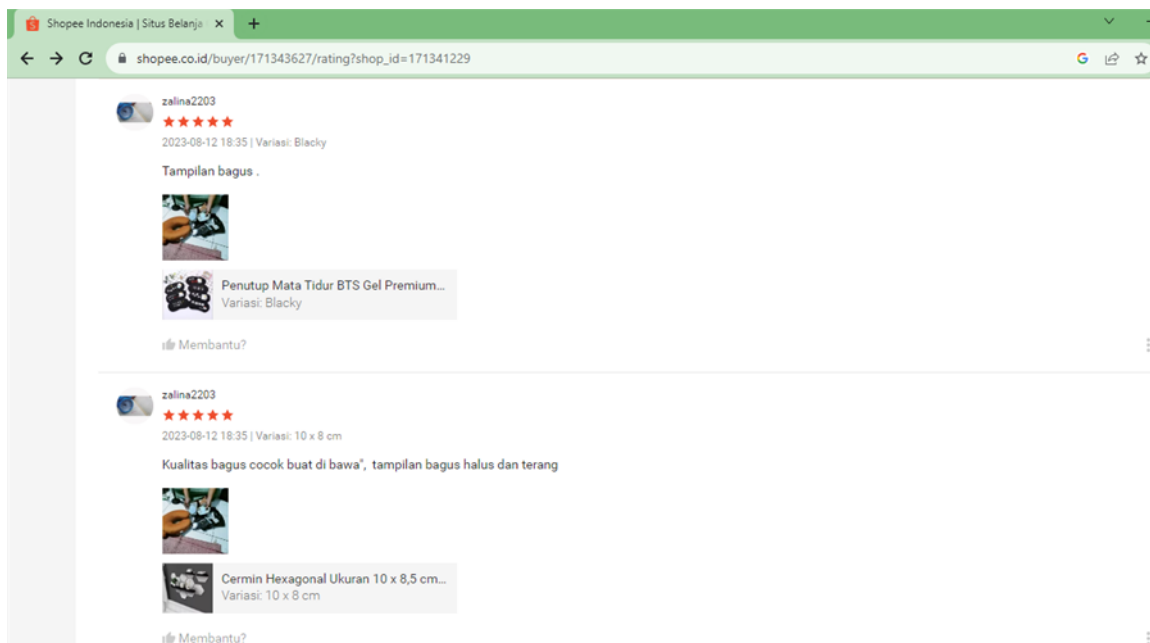
Source: Results of researcher interviews with Peken Facebook Owners (2023)

As seen in table 1 above, the implementation of ESG at Peken Facebook in supporting sustainable business operational performance is good enough because there are only several indicators that Peken Facebook needs to pay attention to. However, overall, the implementation of ESG provides informative information that contains both elements in the ESG Scorecard. In implementing ESG elements Balance Scorecard and Business Profile, it is obvious to provide a brief

overview of Peken Facebook to provide a proper understanding for banks as a basis for assessing creditworthiness and the 5C principles of providing credit. Credit rating agencies have included ESG compliance components in the creditworthiness rating (Christiawan, 2022). Credit facilities from banking will support Peken Facebook for sustainable business operational performance, such as opening business sub-sectors and having permanent employees.

Apart from ESG elements, Balanced Scorecard and Business Profile, ESG elements performance indicators are also fulfilled in the implementation of ESG at Peken Facebook, namely the contribution of Peken Facebook to preserving the environment by participating in reducing carbon emissions, having a commitment to maintaining good social relations with customers and employees. The governance aspect is good enough because there are several indicators of concern, such as product design, leadership effectiveness and leadership replacement plans. These indicators are essential to pay attention to because legitimacy theory explains that organizations must maintain legitimacy in the eyes of stakeholders, such as investors, customers, employees, and regulators (Inawati & Rahmawati, 2023).

The implementation of Peken Facebook's ESG has had a positive impact on sustainable business operational performance. This can be seen from the positive assessment of customer feedback (Al-Issa et al., 2022). Figure 3 below shows customers' positive reviews of Peken Facebook on Shopee.



Source: Peken Facebook's Customer's review (2023)

Figure 3. Peken Facebook's customer's review on Shopee

Positive customer's reviews show customer satisfaction with the quality of Peken Facebook services and products as support for more informative information regarding ESG implementation that has been implemented to gain opportunities to access funding in banking, including more competitive interest rates.

4. Conclusion

The ESG implementation at Peken Facebook is in accordance with the ESG Scorecard concept to fulfill creditworthiness requirements in banking and long-term business strategies that impact sustainable business operational performance. It is suggested for Peken Facebook, based on research results, that there are several indicators in the ESG Balance Scorecard and Business Profile element that are of concern, namely utilizing funds from banking to open business sub-sectors and having

permanent employees with a high sense of belonging to Peken Facebook so that the vision and mission could be achieved. Apart from that, based on indicators on ESG elements Performance Indicators, Peken Facebook should be able to produce goods that the community needs as a condition for going to Shopee Star Mall. Peken Facebook should form an organizational structure so that leadership is more effective, and there should be a plan for regular leadership changes through performance evaluation.

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