Increase Financial Capital of Top Glove in Order to Improve Environment and Sustainability: The Case of Top Glove

Michelle Zi Ying Wu¹, Daisy Mui Hung Kee², Yuan Kun Loo³, Shie Jie Goh⁴, Hani Jumah Alyanbaawi⁵
Universiti Sains Malaysia, Penang, Malaysia¹,²,³,⁴,⁵
Correspondence Email: daisy@usm.my

ABSTRACT

Nowadays, global warming has become a serious environmental issue that may affect humans and other living organisms. This is caused by the emissions of greenhouse gases. This problem has also led to climate change which will bring impacts to business, community, and the environment. Therefore, it is everyone's responsibility to face this environment issues. Top Glove contributes the emission of carbon dioxide as the employees operate the machines using fossil fuels. In 2018, their gas consumption was at 16.98kg carbon dioxide emissions per carton of gloves produced. In line with recognizing the effect of climate change, they aim to reduce 8% of carbon dioxide emission annually. Thus, they have applied biomass which is renewable energy at 6 factories to tackle this problem. However, we need to encourage more renewable energy by expanding the application of this green energy throughout Top Glove factories. Top Glove face the problem of insufficient financial capital to invest the modern technology for every factory. Hence, they need to solve the problem of their financial problem in order to improve environment issues. Next, Top Glove is the world's largest manufacturer of gloves and it was founded since 1991. It has proficient experiences in manufacturing gloves. One of many reasons behind this success is they have an effective and efficient system in managing company. Besides that, they also take care of the well-being of their employees. Furthermore, they introduce environment friendly product to the community. As this paper will show, there is still changes and improvement that can be made, in order to integrate sustainability well into Top Glove's business strategy.

Keywords: sustainability, global warming, climate change, Top Glove, financial capital, environment friendly.

INTRODUCTION

Recently, rubber gloves have become highly demanding in most of the developed countries. China, Brazil and India have more concerned to their health care and want to use hygienic products. Especially in medical sectors, the awareness of using high quality health care products such as surgical gloves, powder-free latex and nitrile gloves has increased. Rubber industries also face challenges due to climate changes that bring impact to the community and environment. Thus, public and private sectors should take the responsibilities to solve the problems of climate changes in order to maintain a sustainable environment.

Top Glove is the world's largest manufacturer of gloves owning 42 factories with 682 production lines as of October 2019. With a total of 195 branches all throughout Malaysia, Thailand, China, United States, and Europe, Top Glove's name has been included in Bursa Malaysia and the mainboard of the Singapore Exchange. Top Glove was founded
since 1991 and it has proficient experiences in manufacturing gloves. As a global citizen and leader in rubber gloves industry, Top Glove is responsible for a huge impact on the climate, and therefore it plays an important role in working towards a better climate and more sustainable world.

In this case study, the focus is mainly going to be on Top Glove's lack of capital. We want to make an investigation regarding the environment policies that have made by Top Glove. Hence, our goal is to drive Top Glove to remain as a successful organization in the future. Besides, Top Glove also known as an international company that consists of multiple sectors. These sectors contribute to the environment in different ways. In this case, we mainly focus on manufacturing sector. As we know that Top Glove has started to use biomass in operating the machines of 6 factories, however Top Glove's factories are spread throughout Malaysia and other countries. Furthermore, Top Glove needs to invest heavily in modern machines and need to hire more experience personnel in the production process. Thus, sufficient capital is needed in order to imply biomass into those machines in other factories as well.

Nowadays, gloves are widely used and constantly being disposed of. To fulfil Top Glove's sustainability mission which creates long term value for stakeholders and the environment by integrating sustainability considerations throughout business operations and social practices, Top Glove are committed to continuously combat climate change and its impacts through various environmental initiatives. For example, they have developed green products like Bio-green biodegradable nitrile glove which biodegrades at least 10 times faster compared to conventional nitrile examination gloves. In our opinion, we suggest to imply biomass in the rest of the factories. Biomass is a type of green electricity which is a renewable resource that are less harmful to the environment than fossil fuels. Thus, this helps to reduce carbon dioxide emission.

2.0 Background of Idea

2.1 Product/Service

Top Glove is a one-stop glove sourcing center, creating reliably high-quality gloves at an effective, low cost. Top Glove’s products are an essential item in the healthcare industry, ensuring human safety and helping to save lives. They are committed to continuous improvement and are constantly looking for ways to improve their products and keep them cost effective.

Top Glove has developed exponentially over a long time. Nowadays the company trades to over 2,000 clients over 195 nations in Asia, Europe, the Center East, Africa and the Americas. Their total run of quality gloves empowers them to meet the wants of the company’s ever-expanding client base. Their glove items cater to the restorative calling, specialists, clean rooms, and mechanical utilization, as well as the nourishment and magnificence industry.

Gloves made by top Glove are related with quality and proficient Gloves made by Best Glove are related with quality and proficient moo taken a toll and meet globally recognized measures such ASTM, EN and ISO.

Customers appreciate the wide extend of items accessible that help customers enjoy top quality without having to pay top price.
Here are the variety of categories of top gloves company:

1. Hands production
Such as FINESSIS Gloves which is the next generation of surgical gloves, featuring the CLEAN surgical glove that uses zero accelerators in the manufacturing process.

2. Sexual wellness
Such as Smooth condom which is Made with premium latex for ultimate comfort and protection. Comes in natural, coloured and scented.

3. Dental care
Latex Powder-Free Dental Dam offers good stretching ability and consistency, with high tear resistance for effectual application of the dental dam.

4. Others
i.) Latex Tourniquet
Latex Tourniquet is suitable for phlebotomy and similar procedures for controlling the venous blood flow.

ii.) Exercise band
Exercise Band is produced using strong and elasticized rubber, making it an ideal tool for fitness training and rehabilitation activities. There are eight different color-coded strengths available to cater various users’ needs.

2.2 Market Opportunity Analysis
Top Glove used market opportunity analysis as a tool to identify and access the attractiveness of business opportunity in the rubber industry. This analysis helped Top Glove taking into consideration their financial capabilities, available technology and competitive readiness to act. By using this analysis, Top Glove is allowed to identify new target markets, discover unmet customer needs and realize their own competitive advantages in the rubber gloves industry.

Aligned with one of the United Nations Sustainability Development Goals which is SDG 13: Climate Action, Top Glove had launched the biodegradable nitrile gloves into market amid the high demands for green products nowadays. As a corporate citizen and the leader of rubber gloves industry, Top Glove’s executive chairman, Tan Sri Dr Lim Wee Chai believe that Top Glove is able to make positive difference in environmental stewardship and leave positive legacy to the offspring through research and development and innovation. These biodegradable nitrile gloves not only minimize the negative impact of excessive emission of carbon dioxide to the environment, business and community, but also give Top Glove competitive advantage in the rubber gloves industry.

When a company operates in a mature market, exploring other countries may lead to additional growth opportunities. This is because markets in different countries have different legal policies and regulations, economic development and local consuming habits. By doing sufficient researches about the size of the market and competitors in foreign countries, a company’s potential can be estimated. When the company decides to explore the foreign country, it can be said to there is new target market who have needs and demands for their products. In our case study, Top Glove which entered the European market planned to venture the United States market to sell its biodegradable gloves. Top Glove believe that there are increasing demands of green products in developed countries where people are willing to invest in products that will minimise waste management issues.

Besides, in order to grow faster and more efficiently which contribute to the company’s goal accomplishment, a company must embark on mergers and acquisitions (M&As). In our case study, Top Glove aimed to increase their market share to 30% by year 2020 as
well as become a Bursa Malaysia Top 20 company by year 2020. However, this cannot be achieved by organic growth alone, but also need to strategically pursue M&As and joint ventures besides establish new set-ups in related business. On April 4, Top Glove has completed the acquisition of Aspion Sdn. Bhd. This helped Top Glove to emerge as the world’s largest surgical glove manufacturer and solidify the leadership position as the world’s largest manufacturer of gloves. With the acquisition of Aspion Sdn. Bhd, three manufacturing facilities are added, hence contributed to higher production capacity. When the production capacity increase, Top Glove is able to enjoy better economies of scale. Moreover, Top Glove is also able to compete more effectively in the global market by gaining a greater market share, particularly from multinational glove companies who tend to outsource their production capacities.

2.3 Business Environment
Top Glove have to acknowledge the current situation that is happening in the business environment. The business environment includes political environment, economic environment, technological and social environment. Political environment of a business refers to the political or government actions which will directly affect the operations of a company or business. Therefore, Top Glove should be aware of the policy changes. Policy changes exist due to unstable condition in term of political pressure, economic trend, social unrest and restriction of the ownership of nondomestic company. Government will make changes on economic policy and legal rules in order to force the business to update the way they do the business. Thus, Top Glove must manage political-risk services and issues carefully which is incurring news publication, employment issues, banks association and social media network.

From the view of economy environment, Top Glove aim to generate attractive return and investment for shareholders and promote sustainable economic performance to the community. In 31st August 2012, Top Glove has successfully collected shareholder funds worth RM1.28 billion with annual turnover of RM2.31 billion. Top Glove also believes that effective and sustainable supply chain will help to conserve the resources and increase its value. Moreover, Top Glove also carry out export activities in order to increase sales and revenue of the company. For instance, Top Glove currently has export to 1800 customers in more than 185 countries around the world. Besides, Top Glove also engage in research and development (R&D) for product innovation in order to deliver high quality of products with lowest cost. Furthermore, Top Glove ensure customer requirements are satisfied frequently by engaging in different channels such as survey on customer behavior and their needs.

Technology environment is also affecting the operation of Top Glove. Regulatory requirements (health and the environment), increasing minimum wage, and increasing in the use of resources, are challenges faced by Top Glove and needed to be overcome by technology. Technology is being used to enhance productive capabilities and to ensure production can be scaled efficiently in the future. For example, Top glove sees customers satisfaction as their top priority and is very focused on being a “one-stop complete glove sourcing centre. Therefore, they invest the latest manufacturing techniques and apply the latest engineering processes. They also put a lot of effort in research and development to produce consistently high quality of gloves. Besides, Top Glove also implemented digital adoption strategy which started about six years ago. With active digital adoption taking place for the past three years, concepts are converted into real-life applications to assist the business improve efficiency and costs.
Top Glove believes that by engaging and nurturing people aspect of their business is the best way to ensure the healthy growth of business. Top Glove has implemented people-focused policies and practices to create a safe and harmonious environment, conducive
both for career and personal growth. Their community outreach programmes also continue to be an important focus on their business agenda. As a caring corporate citizen, Top Glove committed to build a resilient community through their social development initiatives. They aim to drive positive change for the community through community investment, engagement and development. The approaches to engage with community include facilities upgrading and improvement, community outreach programme and Top Glove foundation.

RESEARCH METHOD

Methodology refers to the methods used to help us in completing this project. Various type of methodologies had used to support some facts and research of our project. Hence, the methodology proposed in this research composed with some information and sources from Internet, which information is supported by the fact of previous research teams and some components from company’s websites.

RESULTS AND DISCUSSION

According to Kimberly Amadeo (2019), financial capital is the money or other form of funding that build company’s wealth. It also refers to a company’s credibility for their business investment. Normally, company will use financial capital to invest in their fixed assets such as equipment, building and materials. They also will do some research and development (R&D) to gain profit. (Randa I. Sharafeddine, 2017). Based on the research, we found that Top Glove company has used biomass which is renewable energy to operate at their factories. However, they only operate at 6 factories due to the high cost of technology. Thus, Top Glove has to gain enough of financial capital in order to enable entire factories enjoy the same renewable energy during manufacturing.

First and foremost, high financial capital enables Top Glove company to use advanced technology such as heat changer machine. This machine can reduce heat consumption by recovering heat from hot waste water and hot air missions. Besides, financial capital also enables Top Glove company replace all old air conditioner and refrigerator by purchasing 5-Star Energy Rated Machines to enhance the energy efficiency. At the same time, less consuming of refrigerators and air conditioner will decrease the global temperature and help to prevent global warming.

The purpose of funding financial capital in Top Glove is to use green electricity by replacing fossil fuels during manufacturing. This is because Top Glove aimed to decrease the emission of carbon dioxide and reduce the problem of climate change which is caused by burning fossil fuel. Thus, Top Glove need strong financial capital to carry out this project and apply the renewable energy in every factory.

When it comes to green energy services, studies have shown that green electricity can actually be more reliable than traditional energy services. (Mukesh Doble, Anil Kumar Kruthivent, 2007). However, experiencing large-scale failure is less likely by green energy systems. For example, wind and solar power are less likely to failure because they are distributed (spread out over a large geographical area) and modular (made up of multiple units of equipment). Therefore, geographical issue such as severe weather, or problems with one piece of equipment won’t result in to mush harm to the service in the surrounding area.

In contrast, fossil fuels can significantly contribute to air and water pollution which can be the causes of serious health issues such as cancer, breathing problems, heart attacks, and others disease. Having green energy sources as a substitute for fossil fuels which can helps decrease harmful emissions as well as cleans up air and water quality. This eventually will have a beneficial impact in terms of improving public health and lowers
overall healthcare costs. According to Phebe Asantewaa Owusu and Samuel Asumadu-Sarkodie (2016) has reported that renewable energy sources will bring benefits to the health, welfare to humans and reduced climate changed which will bring impact to the environment.

By using green sources of energy, Top Gloves can contribute in release little to no harmful emissions. However, non-renewable forms of energy release emissions that confine heat along with increase to the average temperatures of the globe which leads to global warming. This continuously releasing emissions from non-renewable sources will result to more climate changes which is harmful both to human health and environment.

One of distinctive factors that Top Gloves ought to utilize is the cost. The cost of current non-renewable energy resources is in a constant state of flux which leads to uncertainty and confusion around the globe. However, green energy leads to more price stability because after the upfront cost of building a renewable energy source, the cost of maintaining and running that source is consistent and often very low compared to fossil fuels. (DongmingRen, YongqiangZhao and JingliShi, 2016).

Furthermore, a green source of energy is more reliable when it comes to severe weather conditions that might otherwise cause catastrophic repercussions. For instance, solar energy and wind energy are both stored so they always have reserves of energy available to be used despite any sort of harmful weather conditions.

Serious health issue can be caused by non-renewable energy sources as they continue to pollute the air, water, and soil. Children can be harmed by these pollutants. As social and environment friendly business. Top Gloves adopt this green energy sources would not emit the same number of pollutants and in fact many of them would emit no pollutants at all. This would lead to better overall health among the citizens of the world. Some places have begun to take renewable energy sources more seriously because it is vitally important. Thus, Top Gloves understand the far-reaching benefits that green sources of energy have to offer for the business in particular and to the environment in general.

After all, we only have one planet to live on and keeping that planet healthy is an important part of keeping us healthy, too. Green electricity is just one of the many highly beneficial ways to improve and sustain the environment.

In conclusion, we need more financial capital to adopt this green electricity as it will help Top Glove to generate profit in long term. This is because we know the importance of green electricity that will bring benefits to our life. Thus, it is worth for Top Glove to invest this renewable energy in every chain of subsidiary factory.

4.0 Idea application

Top Glove Corporation Bhd is the world’s largest manufacturer of gloves, with manufacturing operations spanning across Malaysia, Thailand and China and also marketing offices in these countries as well as USA, Germany and Brazil. The successful story of Top Glove starts from a quarter of a century ago in 1991, where Top Glove is still a local business enterprise with a single factory and one glove production line. Today, not only the demand of medical glove increases, even food industries such as in the restaurants and supermarkets, is using a lot of gloves, especially disposable gloves. The demand of disposable gloves continues to grow due to customer’s rising awareness of hygiene. Therefore, with customers’ satisfaction as key priority, Top Glove has increased its product range, fulfilling demand in both healthcare and non-healthcare segment and captured 26% of the world market share. It serves a network of over 2,000 satisfied customers in more than 195 countries, and these numbers are still growing. Therefore, this leads to the increase in emission of carbon dioxide into the environment and Top Glove has already imply biomass in 6 factories. Top Glove’s factories are spread in Malaysia and other country, therefore we suggest Top Glove to imply biomass in the
rest of their factories. However, they now face financial capital problem in order to invest in green electricity and hire expert workers.

Renewable energy technologies are clean, which have a much less environmental impact than conventional energy technologies. Renewables can offer lower costs, bring increased reliability and resilience of the energy system and energy supply. Top Glove can work with other company through joint venture. Joint ventures are basically separate companies with shared interest and goals. Joint ventures can be informal (a handshake) or formal, and they can be short term or long term. Both companies will have ownership basis in this shared interest. They also agree to share income and expenses. Mostly, businesses form joint venture to combine resources, to combine expertise and to save money. Top Glove can joint venture with other company in biomass research and development. Therefore, Top Glove do not have to handle heavy financial capital whereas the other company can experience long-term profit. Besides, Top Glove also wish to reduce overall costs in their industrial operation. It will be a win-win situation. Another example case of joint venture is Ford and Toyota agreed to work together to develop hybrid trucks in 2011.

Besides, Top Glove can also issue bonds to other companies in order to raise capital. A bond is a financial contract, a written promise to pay a specific amount of money at a certain date in the future or periodically over the course of a loan, during which time interest is paid at a fixed rate on specified dates. When the bond reaches "maturity," the company promises to pay back the principal at its face value. Normally, bonds are desirable for the company because the interest rate is lower than in most other types of borrowing. Top glove can use this method to pay investments in biomass and hire experts to operate those modern machines.

However, there are risks for Top Glove applying joint venture and issuing bonds in order to tackle the problem of increasing financial capital. Firstly, in the case of joint venture, Top Glove and its partners may face the serious conflicts of interest due to different cultures and management styles. Every organization includes Top Glove and its partners has different perspectives, practices and preferences for how their resources should be applied. Conflicts might be arose when Top Glove and its partners use their own management styles respectively to allocate resources in biomass research and development. In addition, the obligations and responsibilities of Top Glove and its partners will also be less clarified if they do not communicate well. It may lead to an imbalance of the capital and other resources invested by the partners followed by affecting the progress of biomass research and development.

For the case of issuing bonds, if Top Glove makes a loss or fails to expand their profits through the green energy practices, Top Glove still need to pay the interest regularly to the bondholders. Furthermore, some of the bondholders can reduce their investment risk by imposing certain covenants on Top Glove’s business operations and financial performance. They think that this is their rights to do so because they have retained their money for a potentially long period of time. Sometimes, the reputation of partners will also be harmed if Top Glove fails to earn profit through green energy practices in the rest of factories. The partners will be considered as they fail to make a good decision in investment.

CONCLUSIONS

There are some recommendations which might suitable for Top Glove to reduce the risks for the idea application. Firstly, since there are risks for Top Glove applying joint venture, Top Glove are advised to coordinate and communicate well with its partners. According to Girmscheid and Brockmann, 2010, the international joint venture partners need coordinate their efforts to take advantage of their diverse resources. Conflicts that occur
when joint venture partners come from different cultures and management styles can be reduced when they communicate well and coordinate their effort while allocating the diverse resources according what they have consented. Besides, Leung (2006) argued that culturally diverse people could strengthen their collaboration by developing their own shared values. Rather than being uncertain of the values, they should aspire to develop and guide their interaction or just adopt the values of one partner; partners develop their own norms and practices that they can embrace and provide a foundation for working together effectively. Thus, Top Glove and its culturally diverse partners can work across their cultural boundaries by creating their own shared values. When they share same values in terms of objectives and goals, they will always give solutions which causing win-win situation happen. At the same time, the joint venture performance will also be improved.

Next, Top Glove can online apply fund to run the research and development projects regarding electricity through Malaysia Electric Supply Industries Trust Account (MESITA). This website is controlled and supervised by Ministry of Energy, Science, Technology, Environment and Climate Change (MESTECC). Top Glove can utilize the fund to expand the green electricity projects in the rest of factories by doing research and development of renewable resources like biomass.

Furthermore, Top Glove can also attend the International Conference on Emerging Technologies for Achieving Sustainable Development Goals which is organized by the Asian and Pacific Centre for Transfer of Technology (APCTT) of the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP). Through the conference, Top Glove can get the sharing of best practices and experiences related to the promotion of emerging technologies and applications. In addition, Top Glove can also access to information on available platforms, mechanisms and networks for cross-border transfer of emerging technologies.

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