

Corporate Social Responsibility: An Overview from Malaysia

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ABSTRACT

Corporate social responsibility (CSR) has become a worldwide issue that results an increasing number of studies on CSR globally as well as in Malaysia. Furthermore, the importance of CSR practices was emphasized by companies in order to ensure its sustainability in corporate world. Therefore, this paper provides general overview on CSR literature that has been conducted in Malaysia to evaluate the implementation of CSR among companies in Malaysia. From the previous literature, it was found that CSR literature in Malaysia can be divided into two categories, namely disclosure; and awareness and perception towards CSR. In conclusion, most of the studies in Malaysia widely focused on the disclosure and less on awareness and perception. Therefore, future research should more focus on the perception towards CSR so that the existing gap can be minimized.

KEYWORDS: Corporate Social Responsibility, Disclosure, Awareness, Perception.

INTRODUCTION

Corporate social responsibility (CSR) has become a global trend in the last decade and this has mark as an important area in business literature. The increasing numbers of CSR studies provides evidence to this effect. As CSR become part of the important area for the business entities, companies are now expected to take into consideration their social responsibility in its daily operation and not only focused on increasing their financial performance. Since 60 years ago, definition of CSR was become an issue and discussed by many researchers and scholars.

The first scholar who wrote a manuscript on the topic of corporate dimension is Howard R. Bowen. Bowen is also known as the “Father of Corporate Social Responsibility” [6, 7, 8, 18]. Social responsibility for a business means they need to take responsibility on their decision and actions to the society [5]. Furthermore, CSR required businesses to concern on issues that goes beyond the legal requirements, technical and economic of the firm [10].

The proposed general accepted definition of CSR illustrated in a pyramid of four CSR dimensions which social responsibility of business encompasses the economic, legal, ethical and discretionary expectations [6, 7]. All these responsibilities are expected by the society from the company after its establishment. The pyramid is constructed in a way that each dimension needs to be achieved consequently before the upper dimension can be achieved. Figure 1 illustrates the four dimensions in a pyramid of CSR which consist of economic responsibilities as a base, follows by legal responsibilities, ethical responsibilities and philanthropic responsibilities on the top. The basic dimensions become foundation to support the advanced dimensions. [33].

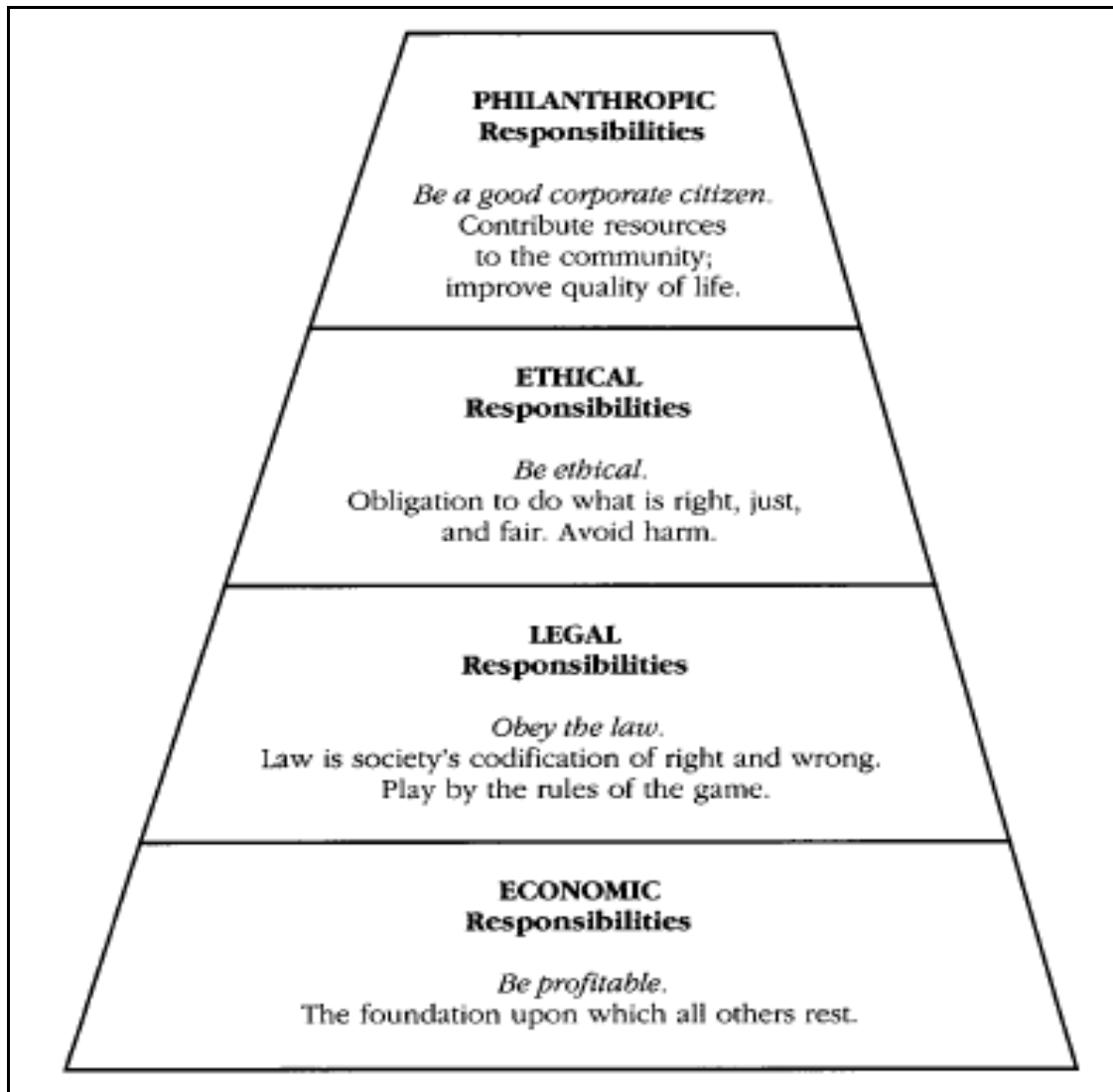


Figure 1: The pyramid of CSR [7]

Economic dimension is the basic of social responsibility for companies because it states on the production of goods and services and the process of selling them to get profit. Business has become a basic society economic unit [6] by providing job opportunities, even salary payment maximize shareholders wealth of shareholders, promoting new products and services innovation [15].

Second dimension which is legal dimension refers to fulfilling the economic responsibility according to legal requirement, laws and regulations set out by the federal, state and local government such as environmental standards, health and safety standards, labour act and taxation act [2]. From this perspective, society expects companies to fulfil their economic mission within the framework of legal requirements that has been set out by the societal legal system [7] that had been regulate by the federal, state and local government. Therefore, a good company need to bear the law and assimilate it into operation and management [8]. Next dimension is ethical responsibilities which list down all activities and practices according to the society's preference and ethical acceptance although it is not stated in the law. Companies are responsible to be good which extend beyond obedience to the law or beyond the level of acceptable behavior [9]. For example, companies should not sell products that did not meet the production specification which could give negative effect on consumers' health. Among the four dimensions, ethical dimension is the most difficult dimension for companies to comply since different societies may have different references and different sets of ethical rules [6, 7, 12]. This means that companies need to consider ethical aspect, compliances with the law and economic success to be regarded as good corporate citizens.

Philanthropic responsibilities are the upper dimension that covers voluntary corporate actions to the society and of consequence improve their general quality of life [6, 7, 8]. For example, companies give donation to help

natural disaster victims, give sponsor for society's program give scholarship for excellent students of low family income, initiate awareness campaigns such as the danger of consuming too much sugar in food and beverage or set up community's facility such as general hall or free cybercafe.

Generally, it can be concluded that CSR is focus beyond profit making motive which need the companies to consider other aspect such as protecting the environment, caring for employees, being ethical in daily business activities and also improving the society's quality of life. The involvement of companies in CSR has increased from time to time when they certain that that CSR will benefit them. For example in terms of better performance, enhanced brand image and companies' reputation, increased companies' profit, increased ability to attract and retain existing employees which finally lead to distinguish the companies from their competitors [11].

Hence, execution of CSR would increase the acceptance, value and sustainability of the companies and grants 'license to operate' to the companies. Society will purchase the companies' product or services offered. However, if the companies fail to assure their social and environmental responsibility it will turn bad reputation to them. The consumer will boycotts their products, hijacking their operation and eventual this will affect the closure of the companies. This shows that they lose their 'license to operate'. As the CSR has becoming a global trend, therefore there is a need to know the development of CSR in Malaysia. Hence, this motivates this study to provide general overview on CSR studies in Malaysia.

MALAYSIAN STUDIES ON CSR

Recently, there is rapid development of CSR in Malaysia and Malaysia has become one of the most active emerging economies that involve in corporate social responsibility [32]. Since 1974, development of CSR was started in Malaysia where several issues and act was raised by various parties. Government was introduced the Environmental Quality Act to legislate issue on environmental safety and pollution and instruct construction companies to comply with the Environmental Impact Assessment (EIA) before developing new housing areas or any projects. Besides, several non-governmental organizations (NGO) and the media have also raised issues on health hazards products, product safety, environmental pollution and discrimination against the handicapped people [2]. In 2004 Malaysian Institute of Integrity (IIM) was established under National Integrity Plan to promote CSR practices in both public and private companies. IIM is responsible to promote the practice of ethical principles, good values and integrity [13].

Most of the CSR studies in Malaysia focused widely on the disclosure [4, 16, 19, 20, 21, 23, 24, 25, 27, 32]. Within the disclosure context, several issues on CSR disclosure were examined. Among the issues examined are level of disclosure, quantity of information disclosed, types of disclosure and companies' characteristics. Among these issues, disclosure level is the most popular theme being examined where most studies examined the level of disclosure and motivating factors influencing disclosure level.

As cited by [20], in [31] was the first research that did the first study on CSR in Malaysia. Using personal interview questionnaire, the researcher surveyed 100 public listed companies from various industries which include plantations, mining, manufacturing and services. It focused on CSR concept, the nature and extent of involvement among the companies in socially responsible activities and corporate social reporting through four levels of social objective hierarchy, namely, social awareness, social involvement, social reporting and social audit. The researcher found that the awareness of social role among companies existed due to top management philosophies. In addition, the results showed that parent companies' practices are the main determinant among foreign owned companies. Furthermore, human resource issues and product or service to consumers are the main emphasis in social activities by the companies. It was also discovered that most companies disclosed social aspects came from large public listed companies with major foreign ownership.

In terms of disclosure level, in [23] found that disclosure level of 100 companies in all sectors was low where less than 30 percent of the companies disclosed CSR every year. However, in [4, 16] showed that level of CSR reporting was increasing over time due to certain factors such as legislation enforcement, pressure groups' increased demand and ethical investors, establishment of awards for good CSR practice by companies, increased economic activities and societal awareness and politics. Study done by [26] focus on how Chief Executive Officer (CEO) statements communicate the CSR performance. Through this statement, corporations disclose compliance to the government and stock exchange and responsibility to their stakeholders. Companies help to strengthen economic legitimacy through social legitimacy.

With regards to the quantity of information disclosed, it found that most companies disclosed an average of 85 sentences and the most disclosure made by a single company is 789 sentences. In terms of the type of disclosure, a study has discovered that disclosure is declarative and narrative in nature and the most popular theme disclosed is human resources [4, 23, 25, 32].

For the firm's characteristics, it was found that size influenced disclosure level since larger companies have more resources to engage in social activities. Due to their greater visibility, more likely would they be subjected to scrutiny by the host government [1, 21]. By involving in greater social activities and higher level of disclosure in the annual reports, companies could overcome possible criticisms [5].

The longitudinal study for CSR disclosure on 100 companies listed on the Kuala Lumpur Stock Exchange (KLSE) Main Board as at 31 December 1999 found there is a low disclosure level of less than 30% of companies providing disclosure every year [23]. The results showed that Malaysian companies prefer to disclose CSR in the form of narrative information in the Chairman's Statement, Financial Statement and Director's Report. The most popular themes disclosed by the companies were human resources, community involvement, and environment. Based on the study, it was found that hotel, finance and construction sectors have the highest percentage of CSR disclosure.

Similarly, in [25] examined CSR disclosures made by listed companies across industries. Using content analysis, the researcher examined the incidence of CSR disclosures in annual reports of companies listed in the Main Board of the KLSE. The result implied that disclosures made by the companies generally have a public-relation biased, disclosing 'good news' type of disclosures. Their findings indicated that the main reason for companies to provide disclosures is to improve their corporate image and seen as responsible corporate citizens. Disclosure related to quantitative or monetary as well as 'bad news' disclosures are generally minimal.

For highly regulated industries in 48 banks and finance companies in Malaysia, the content analyses showed disclosure was the highest disclosure theme and size, listing status and age of a company significantly influences the disclosure practice. In contrast, profitability has insignificant relationship with the social disclosure. One possible reason could be because decisions to disclose social information relates to variables on public pressure rather than variables on profitability [1].

The most companies disclosed social information due to the top management's awareness together with the desire to comply with the government's social policy as well as enhancing corporate image. Based on interviewing a group of financial analysts, this type of user believed that companies are disclosing social information largely as a promotional tool and concluded that most companies are disclosing the social information in order to assist in reconstructing the society by making themselves visible in the eye of public [19]

Furthermore, in [4] conducted a survey on 201 annual reports of listed companies in the Main Board and Second Board of Bursa Malaysia from various industry sectors. The researcher investigated government's influence on promoting local CSR development using a political economy theory perspective. The results showed that the government has a potential to play a significant role in spearheading CSR practice more intensively. It is particularly for companies with significant government shareholding or dependent on the government which are institutionalized by the government's aspiration and vision with respect to social and environmental issues. The results also revealed that information on employees and environmental were the most common themes provided by the listed companies.

Another body of the CSR literature focused on awareness and perception towards CSR in Malaysia [12, 17, 22, 28, 32]. This body of literature showed that the popularity of CSR has increased among the academic researchers in Malaysia. A study conducted by [2] which focuses on awareness and perception towards CSR among Malaysian managers and executives found that, managers and executives in Malaysia have a positive view towards CSR. It indicates that companies are expected not only to maximize company's profits (economic dimension), but also on non-economic dimension towards stakeholders such as philanthropic dimension. However, the extent of the executives' and managers' involvement in CSR was lower.

The stakeholders' perception on CSR dimensions by using Malaysian and Singaporean employees indicated respondents from Singapore were more CSR conscious compared to the respondents in Malaysia. However, the low level of awareness among Malaysian society could be improved since there was evidence of increased awareness over the past decade among managers and executives [28, 2]. The factors such as economic development could contribute to the difference in CSR awareness between these two countries.

The level of awareness and the perception of accounting professionals on basic concepts, elements and functions of CSR have been conducted. The in-depth interview with some accounting professionals revealed that their respondents' perception was too simplistic. Besides, contrast to the reality which was supposed to be more complicated for them. The general level of awareness and perception of the accounting professionals on the concepts of CSR were not consistent even though the current CSR activities were admittedly commendable. The professionals would like to realize their roles in social reporting even though the existence of various issues such as the need to change people's culture and mind-set may hamper their involvement with CSR. The crucial roles in realizing CSR cannot be hold by the accounting professionals alone, but also requires the involvement of other parties such as shareholders, government and the public [32].

In another study on awareness and perception towards CSR, in [12] adapted the Carroll's CSR dimensions namely economic, legal, ethical and philanthropic dimensions in examining stakeholders' perception on CSR. The result shows that Malaysian stakeholders ranked the economic dimension as the most importance dimension, followed by ethical, legal and philanthropic dimensions. This can be concluded that the ranking of dimensions from Malaysian perspective appeared to be slightly different with the original Carroll's model of CSR dimensions which could be attributed by cultural factors. Study done by [30] stressed that fund managers rated environmental reporting as important disclosure since it will affect firm future performance and will influence shareholders' decision. Again, the economic factors have become major concern on reporting CSR in Malaysia.

The level of role, economic orientation and competency of CSR managers are significant to CSR disclosure, whereas attitude did not really affect the reporting of CSR [14]. Furthermore, in [25] revealed that the level of awareness among undergraduates in Malaysia will increase by having a deep understanding on CSR concept, easy accessibility to company's CSR information and introduction of new policies by government in promoting CSR. Recent studies done by [3] found out that managers motivation to involve in CSR activities are due to the organizational drivers and drivers of change. Organizational drivers concern about the internal factors such as altruistic, legitimacy and competitiveness while drivers of change covers external motivations such as economic advantage and profitability. The second factors lead business to take responsibility towards the society even though they do not see an intrinsic need to do so.

DISCUSSION AND CONCLUSION

CSR has become crucial for every company in this world. In fact, without hesitate there are many companies would like to have a good reputation through it. Most of studies on CSR in Malaysia widely focused on the disclosure and limited studies were found that focused on the awareness and perception. Besides, the result from previous studies shows that the involvement of companies in CSR activities would indirectly increase their financial performance [4, 19, 25] and long term sustainability. This indicates that the companies should integrate CSR as part of their strategic planning as to be able to sustain in the market or industries for a long period of time. Besides, it is hoped that studies on awareness and perception towards CSR also will be widely focused in the future so that it can close the gap in the CSR literature especially for Malaysian studies.

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