

# Factor Affecting Corporate Social Responsibility for Socially Responsible Companies in Malaysia

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**Abstract** This study investigates the relationship between individual's expectations of corporate social responsibility (CSR) and its influence in the support of this socially responsible behaviour companies in Malaysia. There are a total of 328 responses to the questionnaire developed. The data is analysed through SPSS. The regression parameter estimates show three significant relationships CSR between Legal CSR ( $T=3.045$ ,  $p\text{-value}=0.003$ ), CSR between Ethical-philanthropic CSR ( $T=6.049$ ,  $p\text{-value}=0.000$ ), and CSR between Economic CSR ( $T=2.211$ ,  $p\text{-value}=0.028$ ). The result is discussed in the context of factors affecting CSR for socially responsible companies in Malaysia.

**Keywords** Corporate Social Responsible, Socially Responsible Companies, Consumer Behaviour, Competitive Advantage, Stakeholder Interests

## 1. Introduction

The concept of social responsibility is not new. Although the idea was considered in the early part of the twentieth century, the modern discussion of social responsibility has a major impetus with the book "Social Responsibilities of the Businessman" by Howard R. Bowen. Bowen (1953) suggested that business should consider the social implications of their decision.

Fortune magazine annually assess America's most Admired Corporations and does so by evaluating over 300 organizations against 8 criteria, one of the eight used is "Community and Environmental Responsibility". For instance firms as Merck, Rubber Maid, Procter and Gamble, Walmarts, Pepsi Co., Coca-Cola and 3 M have received consistently high overall ratings.

Corporate social responsibility (CSR) often refers to the activities of a firm, its processes, and status in relation to its perceived societal or stakeholder obligations. The role of CSR has expanded and is widely used in the market strategy in corporations today. Citation to Mc Williams and Siegel (2001:117) described CSR as "actions that appear to further some social good, beyond the interest of the firm and that which is required by law". As well as quoted by Frooman (1997:227), "the definition of what would exemplify CSR is the following: an action by a firm, which the firm chooses to take, that substantially affects an identifiable social

stakeholder's welfare."

In a study on a sample of firms in the United States, CSR is seen to be positively linked to customer service. It can be seen from the earlier studies that development of a positive or negative perception on the particular firm comes from the evaluation by the customers on the corporations that offer these products or services. This is seen through the CSR activities or initiatives which are expected to demonstrate a certain degree of fairness towards customers, which in turn leads to a higher level of satisfaction.

The use of CSR as a tool for the long-term sustainability of the organization can also be seen through its continuous efforts to sustain its customer base through its effort in giving back to society. A high level of customer satisfaction would usually result in higher sales volume due to the returning customers and also through the introduction of new customers by way of referral. Therefore, it has become important for the corporations today to focus in achieving high levels of customer satisfaction as part of the corporate strategy.

CSR also involves the understanding of the various stakeholders and the satisfaction of their needs. In this study, the legal, ethical-philanthropic and economical aspects are being examined in the perspective of the consumers. As consumers are the key to a sustained future of an organization, it is important for the organizations to realign its strategy in order to create a good perception. Apart from the CSR initiatives also increases the company's profile to customers and investors through its activities.

Thus, this study intends to examine the relationship between individual's expectations of corporate social responsibility (CSR) and its influence in the support of this

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socially responsible behaviour companies in Malaysia.

## 2. Literature Review

Past empirical studies had identified diversified numbers of corporate social responsibility predictors.

Anursorn and Kiran[1] postulate that uses various alternative approaches in measuring perceptions on ethics issues and business problems. Results indicate that differences in the perceived importance of ethics and social responsibility among marketers from various countries exist because of country differences in culture; economic development and legal or political environment; differences in organizational ethical climate; and gender differences. There are also research limits at the three levels of CSR studies: 1) focusing on organizational members at the individual level; 2) considering stakeholder members as in monolithic groups with homogenous needs and interests at the organizational level; 3) at the social level, the mainstream CSR concepts and practices have been Western dominated, neglecting the understanding of the effects of other cultures on CSR issues.

Joyner B.E. and Payne, D[2] asserted that the consensus is that the relationships between values and CSR are not irrelevant but rather interrelated, values deeply interrelated with ethics, and having a significant impact on ethical decisions-making and moral judgement. Values influence the extent of a corporation's perceived CSR and are influenced by societal activities and norms or standards. Conversely, corporate ethical or unethical behaviour can influence the values held by members of society.

Mayton, Ball-Rokeach & Loges[3] pointed out human values are a core element of human psychology and are therefore keys to the understanding of both individuals and social groups. The groundbreaking work established a number of tenets that form the basis of a accepted theory concerning values. Values may be defined as enduring prescriptive or proscriptive beliefs that a specific mode of conduct (instrumental value) or end state of existence (terminal values) is preferred to another mode of conduct or end state. This is also points out by Schwartz, S.H. & Bilsky, W[4] that values serve as guiding principles in the life of a person or other social entity. Fukukawa, K., J.M.T. Balmer and E. A. Gray[5] in discussion of mapping the interface between corporate identity, ethics and CSR.

Halme & Lovio[6] stated that companies typically address issues of responsibility explicitly in corporate policies, programmes and strategies. Especially in Europe-the Scandinavian countries, however, the CSR concept is more focused on actual company operations. Brønn, P.S. & Vriani A.B.[7] and Matten, D. & Moon, J.[8] also stated that in Europe, CSR issues are more implicit in the formal or informal institutional business environment and join the list of state duties and the legal context. The North American concept of CSR represents the "original" context of the phenomenon by emphasising its ethical-philanthropic

aspects.

Tian, H.[9] and Lu, X. H.[10] found that in the emerging countries such as China, CSR is still in its infancy, which is still about corporate operations at the basic legal level, and Chinese society is still struggling with issues such as corruption, labour rights, distributive justice, corporate crime, product safety and pollution. With China's transition to a market economy, the deterioration of the traditional business ethics and morality has attracted a lot of attention. However, the mainstream CSR concepts and practices are still dominated and influenced by Western-centric attributes, which largely neglected the effects of other cultures on CSR.

At the social level, CSR studies are in favour of conducting cross-cultural comparisons. A number of cross-cultural or cross-national studies indicated that the differences in the cultural and social backgrounds, political and institutional environments result in views on CSR taking different forms in different parts of the world.

Whitcomb, L. L., Erdener, C. B., & Li, C. et. al.(1998)[11] stated that Chinese social environment have been transformed substantially, those changes must influence Chinese employees' work values, there is a big difference in implementing corporate social responsibility in different countries; this difference is culture and ethical reasoning.

Burton, B. K., & Hegarty, W. H. (1999)[12] found that level of CSR orientation in female students is more than males, in other word, females are more likely to rate higher on scales of ethics and social responsibility than males.

Maignan, I. and O. C. Farrell (2000)[13] asserted that generally the proponents of stakeholder view argue that paying attention to the interests, needs and rights of multiple stakeholders of a business is a useful way of inculcating socially responsible behaviour among corporations.

Smith, N. C.[14] found that the findings from the single case study are reflected in larger studies of Hong Kong organisation that indicate low level social reporting (including HRM). There is scope to extend the content analysis of public reports and conduct interviews with the senior executives of other Hong Kong based organizations to examine the reasons behind the reluctance to engage in HR reporting.

Welford R. (2005)[15] postulated that many researchers emphasized on the social responsibility and importance for outsiders such as customers, shareholders, and other stakeholders, and the effect on corporation reputation and performance.

Shafer, W. E., Lee, G. M., & Fukukawa, K. (2007)[16] based on examining the ethical perceptions of manager from China and the United States of America. The results shown that, although there was significant difference in ethical perceptions between two nations, such as difference did not exist in all situations and pattern of some differences was contradictory. For instance, Chinese managers believed that stakeholder's interest was more important than other

considerations, but Chinese managers believed that ethics and social responsibility were necessary for businesses to survive in the long-term.

Scholtens, L. J. R. and Dam, L. (2007)[17] stated that first one affects the behaviours of their constituents including their understanding of CSR.

The underlying model for this study is the Klement Podnar, Urša Golob (2007)[18] "CSR expectations: the focus of corporate marketing", which is based on companies and individuals of Slovenia. The model result show that the expectations of ethical-philanthropic CSR tend to have a significant positive influence on both types of intended CSR support by customers; and model suggests that ethical-philanthropic responsibilities seem to lead a competitive advantage which is based on a desired customer response and reward. This is in line with the main focus of corporate marketing, which is the meeting of stakeholder and societal needs.

This paper empirically considers and challenges the acknowledged Carroll's classification of CSR, identified a clear philosophical stance meant that corporations are capable of assuming responsibilities; provides normative prescriptions meant responsibilities must extend further than the generation of profit and obedience of law; and is based on the assumption that stakeholders do have articulated expectations of morality and participation. Klement Podnar links it with the readiness to support socially responsible behaviour of companies in general, and links the notion of CSR with that of corporate marketing, which strives to develop meaningful relationships with customers and other stakeholders.

Henceforth, the adapted model was developed to ascertain the measurement of CSR through three aspects of CSR. i. e. (i) legal CSR, (ii) ethical-philanthropic CSR, and (iii) economic CSR in relation to the factors affecting customers' support of socially responsible behaviour companies in Malaysia.

### 3. Methodology

This study identifies the measurement of CSR through three aspects of CSR in relation to the factors affecting customers' support of socially responsible behaviour companies in Malaysia, which were hypothesized in: H1-Higher expectations for the Legal CSR will be positively related to the customers' support of socially responsible behaviour of companies; H2-Higher expectations for the ethical-philanthropic CSR will be positively related to the customers' support of socially responsible behaviour of companies; and H3-Higher expectations for the economic CSR will be positively related to the customers' support of socially responsible behaviour of companies.

The primary data were gathered among the adult Malaysian population from September 2012 until mid October 2012 with the combination of printed questionnaire

distributed to individuals and invitation via email to respond to a web-based structured questionnaire, in order to allow who are conduct the survey in a more respondent-friendly way and at the same time the printed questionnaire distributed allow to solicit feedback both the internet and non-internet savvy group.

The questionnaire survey form designed with the demographics questions in categorized into location, gender, age, employment status, position, years of experiences, company engagement in CSR activities together with the measurement of total of 26 numbers of questions in CSR through three aspects of CSR, which have 11 questions in relating legal CSR, 5 questions in relating to ethical-philanthropic CSR, 6 questions in relating to economic CSR, and 4 questions in relating to CSR, in relation to the factors affecting customers' support of socially responsible behaviour companies in Malaysia. Each of aspects is measured using a 7-point Likert scale anchored at "strongly disagree" and "strongly agree".

There are a total of 328 responses from a total of 936 distributed of questionnaire, at a response rate of 35 per cent. The primary data is collected through questionnaire. There are a total of 165 males and 163 females in the study. The 328 dataset were coded and analysed using SPSS version 19.

Results generated for the test of data validity of Kaiser-Meyer-Oklin (KMO) is 0.859 with Bartlett's test of sphericity sig. 0.000, this indicated that a great adequacy to do factor analysis; the test for reliability for predictors and variables, the overall Cronbach's Alpha values are above 0.60, this indicated that all measures acceptable internal consistency and reliability; the test for coefficients shown that t-value and sig. t for 3 independent variables are concluded having significant differences where t-value>1.96 and sig. t<0.05, where H1 (t=3.045, sig. t=0.003), H2 (t=6.049, sig. t=0.000) and H3 (t=2.211, sig. t=0.028), where R square=0.141, Adjusted R square=0.133; as well as reading together with F ratio>1.96, sig. f<0.05, where F=16.918, sig. F=0.000. Therefore, all hypotheses are supported in this study.

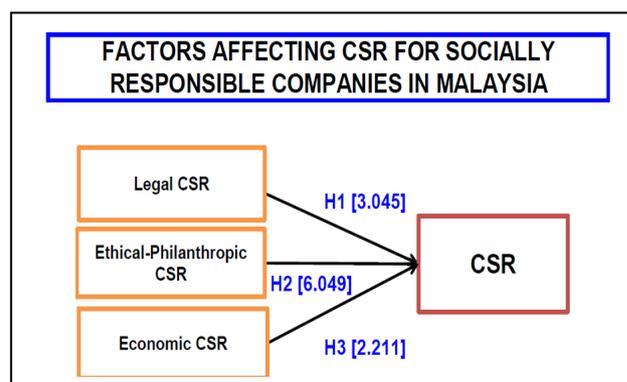


Figure 1. Research Model

### 4. Conclusions

In this study, we conducted various statistical tests and analysis through the SPSS 19. The end results shown that the higher expectation of all three aspects that Legal CSR, Ethical-philanthropic CSR and Economic CSR is positively related to the support of customers on socially responsible behaviour companies in Malaysia. Therefore, we concluded that all hypotheses were supported by our research study.

Our findings prove an insight into how CSR expectations are related to the intended support of CSR in the corporate socially responsibility companies in Malaysia. Similar to other studies that younger consumers tend to be more socially conscious (De Pelsmacker et. al, 2005), our results indicate that individual from our survey age group is average mean of 36, which composing from a large number of respondents from aged between 19 and 40 years old, who generally have economic independent and ability, therefore they will require a high expectations for CSR not only the product price itself, as well as take in consideration of others such as marketing image or added value services.

Among the 3 aspects of CSR, the economic dimension appears to be less important (mean score 4.1745, the lowest mean among 3 variables), this similar to the adapted model of Klement Podnar, Urša Golob, (2007) assertion, of which implicates that cultural differences among stakeholders from different countries exist (Katz et. al. 2001; Maignan, 2001). The most interesting finding for corporate marketing is that individuals, the company to be responsible and to comply with the ethical-philanthropic expectation, this would be hinted from the mean of Ethical CSR and Legal CSR with more than 5.0 scores.

Overall, similar to German, Slovene and French consumers, Malaysia consumers also tend to expect companies to conform to the social and legal norms rather than achieve high levels of economic performance, whereas the ethical-discretionary expectations are reflected in customers' readiness to support the responsible companies or punish the irresponsible ones. Based on past studies of empirical findings suggested that ethical-philanthropic responsibilities seem to lead to a competitive advantage of the company which is based on desired of their customer responses and rewards. Fulfilling these expectations is a way for companies to do well, but not mean that this is to reduce the profits of company in order to fulfil the expectations of stakeholders' interest.

Companies should encourage the ethicality and discretionary behaviour in order to benefit from it. Hence, corporate marketing should encourage playing an important role in shaping expectations of this kind. For a corporate marketers must build social and ethical considerations into all levels of their companies' activities and daily practices, in order to monitor and fulfil the stakeholders' wishes, needs, expectations, interests and behaviours, is a main concern of corporate marketing.

The limitation of this study is scope of our model is adapted from of Klement Podnar, Urša Golob, (2007) research model which is the Legal CSR, Ethical-philanthropic CSR and Economic CSR relevance of CSR for corporate

marketing. This might not be relevant for totally different social-cultural between Slovenia and Malaysia. The study could further be expanded scope of model in future into other variables that could influence the support of customers, for instance identification with a corporate brand, corporate image or corporate reputation. It can also be seen from the model that by pursuing ethical responsibilities, the firm would have a competitive advantage based on the responses collected in the perspective of the customers, as this study did not control for the social desirability bias when questioning about the expectations and support for CSR, particularly in data collection applied method, through email for our study for feedback of our survey, as which can produce less socially desirable responses on closed-ended questionnaires measuring attitudes compared to the face-to-face interview method. (Richman et al, 1999; Yun and Trumbo, 2000).

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