

Corporate Social Responsibility: Antecedent and Consequence Study of Malaysian Public Listed Companies

Abdul Rahim Othman, Selvan Perumal, Saed Adnan Mstafa*

College of Business, University Utara Malaysia, Kedah, 06010, Malaysia

Abstract This paper examines the antecedent and the consequence variables of corporate social responsibility. 200 responses were received from a population that had already working in Malaysian public listed companies. The results derived from multi-group structural equation modeling within AMOS 7.0 revealed that the antecedent variables drive CSR to success in Malaysian public listed companies, furthermore this paper found a significant relationship between CSR and company performance. The findings imply the need for public listed companies, particularly main and ACE board, to strategically leverage the key antecedents of CSR. This could enhance its sustainability, competitiveness and innovation following market trends.

Keywords CSR, Company Performance, Structural Equation Modeling

1. Introduction

The focus on CSR has increased in recent years in the world; the general trend towards CSR projects is still shadowy in Malaysia[1-4]. Despite all Malaysian government effort to encourage adopting CSR, only few companies had taken it seriously[5]. Another study conducted by[6] reported that the Malaysian companies are yet to meet the international standards, especially in the area of CSR project implementation.

CSR is very important to improve the performance of companies as suggested by[7-8]. Recently the government paid great attention to CSR to be adopted by public listed (PLCs) and private companies in Malaysia[7]. Despite this finding, unfortunately in Malaysia this area has not been widely covered yet[9].

Previous studies tended to study the relationship between CSR and company performance. The results of the studies found different impact between CSR and company performance. The findings of CSR with company performance seem inconclusive, as found by studies of [10-15] that there is a positive relationship between CSR and company performance.

In other studies by[16-21] whilst there is evidence that CSR relates to company performance, several studies reported no significant association between CSR and

company performance. The review of literature also shows that none of the studies that examined the effect of CSR in company performance especially in Public companies sector were conducted in Malaysia.

2. Literature Review

2.1. Market Orientation and CSR

Previous researches confirm that market orientation is the process of value creation by identifying the needs and expectations of the customers[22]. Customer satisfaction is the key aspect in the marketing concept and no or minimal was attention paid on social welfare in marketing concept[23-24]. Pure customer orientation can give only a short term profit and it will fail to generate a long term profit[25]. [24] Has proven that customers expect their marketers to contribute to social activities. As such customers in the banking sector in particular expect banks to be socially responsible[26]. Thus customers expect their marketers to be socially responsible.

Furthermore, study by[27] hypothesized that market orientation positively affect CSR, they found in their study there market orientation drive CSR.

H1: There is a positive relationship between Market Orientation and corporate social responsibility.

2.2. Humanistic Orientation and CSR

Humanistic orientation refers to the dimension of an organization's culture that is concerned with the importance attributed to collaboration and harmony among workers

* Corresponding author:

Said_es@yahoo.com (Saed Adnan Mstafa)

Published online at <http://journal.sapub.org/economics>

Copyright © 2013 Scientific & Academic Publishing. All Rights Reserved

[23].[28] Explained that, in humanistic culture, “employees are expected to be supportive, helpful and interested in the suggestions and ideas of others”. In such organizations, members show concern for the needs of others, give rewards to others, and involve others in the decisions affecting them[28]. In humanistic culture, values and policies promoting caring and harmony are likely to apply not only to employees but also to other stakeholder groups. One may expect that humanistic value encourage organizational members to systematically enhance the relationships between the business and its stakeholder groups by addressing their demands in the economic, legal, ethic and philanthropic responsibilities consequently[23].

H2: There is a positive relationship between Humanistic Orientation and corporate social responsibility.

2.3. Competitive Orientation and CSR

While a humanistic orientation fosters the maintenance of harmonious relationships within the organization, a competitive orientation is characterized by an emphasis on winning and personal success in the workplace[28]. The characteristics of the humanistic culture as sensitive and responsive to CSR and that the mechanism of cultural transmission ensures that the intrinsic features of this approach are transferable and guide organizations in their interactions with stakeholders[29-31].

The expectation may be put on humanistic value to encourage organizational members to enhance the relationship between stakeholder groups and the business systematically by addressing their demands in philanthropic, legal, economic and ethic responsibilities[23]. Humanistic orientation impact positively on CSR[32].

H3: There is a positive relationship between Competitive Orientation and corporate social responsibility.

2.4. CSR and Company Performance

The relationship between corporate social responsibility and organization performance turned out to be inconclusive, calling for an extensive research work to be conducted in this area[13, 33-35]. While some studies empirically support the existence of direct as well as indirect relationships between CSR practices and company performance[10-15, 33], other studies[16-21, 36] questioned the CSR strategy effectiveness.

H4: There is a positive relationship between corporate social responsibility and company performance.

3. Methodology

Questionnaires were distributed to 225 respondents (i.e., top management), and 200 responses were received, a response rate of 89%. The respondents were collected from a population that had already experienced on CSR in Malaysian public listed companies.

The questionnaire comprises four sections: Section A was designed to extract the respondents' demographic

characteristics, and Section B measured CSR based on[37-39]. Section C was designed to ask respondents to rate their company performance[40-41]. Section D to measured the antecedent variables as follow market orientation, humanistic orientation and competitive orientation[22, 28]. All instruments were designed on a five-point Likert scale ranging from ‘strongly agree - (5)’ to ‘strongly disagree - (1)’, using multi-item scales. Structural equation modeling analysis using AMOS 7.0 was conducted because it has the ability to estimate both direct and is a testable model; it also has the ability to ensure the consistency of the model with the data and to estimate the effects among the constructs. The method of estimation used was the maximum likelihood method.

4. Data Analysis

The detailed demographic attributes of the respondents are shown in Table 1. Out of 200 respondents, 72% were male and 28% were female. More than half of the respondents 53% were Malay. Around 35.5% from the respondents were expert. The distribution of the respondents by age, with 44.5% were more than 35 years old, from 31 to 35 were 44%, 25 to 30 years 10%, and less than 25 years 1.5%. These data imply that the study sample was well representative of the target top management who has working in Malaysian public listed companies.

Table 1. Demographic Analysis

Variable	Coding	Frequency	Percent
Gender	Male	144	72%
	Female	56	28%
Ethnic group	Malay	106	53%
	Chinese	65	32.5%
	Indian	14	7%
	Others	15	7.5%
	Total	200	100%
Experience	Less than 5	22	11%
	6-10	71	35.5%
	11-15	60	30%
	More than 15	47	23.5%
Age	Less 25 years	3	1.5%
	25-30	20	10%
	31-35	88	44%
	More than 35	89	44.5%

4.1. Confirmatory Factor Analysis

Confirmatory factor analysis was also used to determine if the data included in each of the four components of organization culture factors, CSR and company performance models is a strong fit. Thus, confirmatory factor analysis of CSR (twenty eight items), after having done the confirmatory factor analysis the results showed that (ECO1, ECO6, ECO7, LEG4, LEG5, LEG7, ETH1, ETH2, ETH3, ETH7, PHI5, PHI6 and PHI7) were deleted, while the other remaining items (ECO2, ECO3, ECO4, ECO5, LEG1, LEG2, LEG3 and LEG6, ETH4, ETH5, ETH6, PHI1, PHI2, PHI3 and PHI4) were analyzed and showed that all the items have

a factor loading of more than .50. This suggests that the items correlated significantly to the factor itself with factor loadings ranging more than .50[42].

Furthermore, Market orientation has seventeen Items; the result of CFA reveals that nine items (CUS1, CUS2, CUS5, COM1, COM2, COM4, COOR1, COOR2, and COOR6) were deleted, while the other remaining items (CUS3, CU4, COM3, COM5, COM6, COOR3, COOR4 and COOR 5) were analyzed and showed that all the items have a factor loading of more than .50. Competitive orientation has ten items, humanistic orientation has ten items, the result of CFA reveals that five items (TIT6, TIT7, TIT8, TIT9 and TIT10) were deleted, while the other remaining items (TIT1, TIT2, TIT3, TIT4, TIT5) were analyzed and showed that all the items have a factor loading of more than .50. Humanistic orientation has ten items; the result of CFA reveals that four items (HUM7, HUM8, HUM9 and HUM10) were deleted, while the other remaining items (HUM1, HUM2, HUM3, HUM4, HUM5 and HUM6) were analyzed and showed that all the items have a factor loading of more than .50[42].

In this respect, company performance has six items; the results of the confirmatory factor analysis reveals that two items (PERFO5 and PERFO6) were deleted after having conducted the confirmatory factor analysis. The remaining four items (PERFO1, PERFO2, PERFO3 and PERFO4) indicated a factor loading of more than .50. This proposed that the three items correlated significantly to the factor itself with factor loadings ranging more than .50[42]. As Shown in Table 2.

The fit of measurement of hypotheses model, is good as indicated by GFI, TLI, CFI, GFI, TLI, and CFI values are

higher than the threshold values suggested by[43]. In addition, the most widely used CMIN/DF measure, also suggests a very good fit.

Table 2. Reliability and convergent validity

Construct	Cronbach's alpha	AVE	Composite reliability
Market	.71	0.75527	0.705257
Humanistic	.73	0.89937	0.917323
Competitive	.75	0.81141	0.853175
Performance	.74	0.76714	0.805369
CSR	.70	0.71952	0.771738

As[44] have suggested, the smaller the value, the better the fit. Furthermore, the Normed Fit Index (NFI) shows a good fit since values greater than 0.80 are desirable[45]. Finally, the Root Mean Square Error of Approximation (RMSEA) with a score of 0.080 also suggests that the model fit is acceptable[46]. Considering all these outcomes, it was concluded that the model fits the data well given that it exceeds all the basic requirements for goodness of-fit measures. Figure 1 depicts the structural relationship among the research variables. To assess the structural model, multiple fit indices were computed. The goodness-of-fit for the model was met: Chi-squared/df= 1.832 CFI= 0.833, GFI = 0.826, AGFI = 0.810, NFI = 0.802 and RMSEA = 0.065. The overall values provided evidence of a good model fit. All of the model-fit indices exceeded the respective common acceptable levels suggested in previous research, following the suggested cut-off value, demonstrating that the proposed model provided an adequate fit to the data collected. Thus, it was possible to proceed to examine the path coefficients.

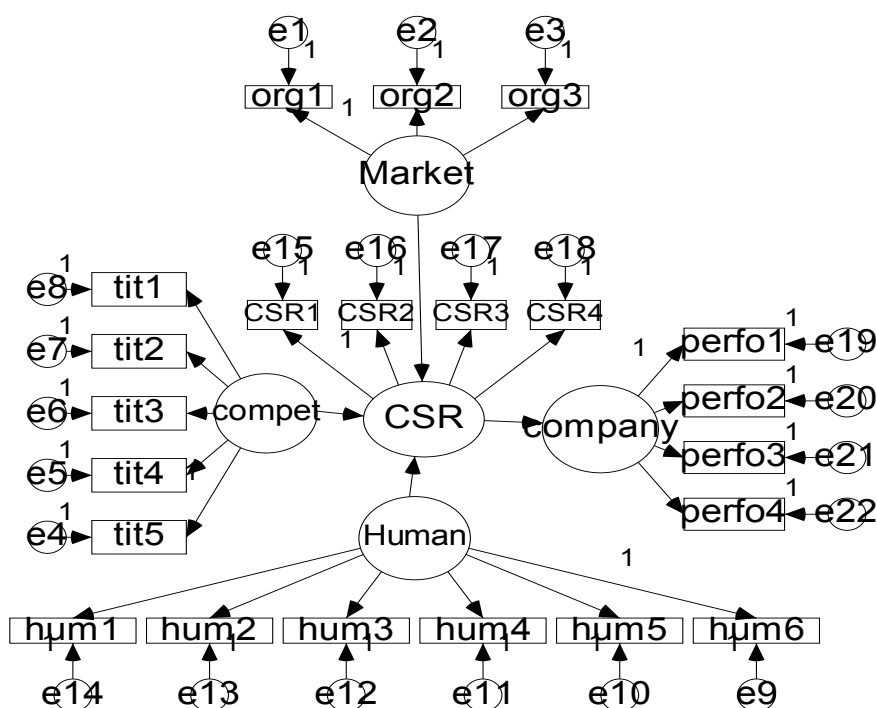


Figure 1. The Structural Model

4.2. Hypothesis Testing

A direct effect represents the effect of an independent variable on a dependent variable. From Figure 1 and Table 3, it shows that the hypotheses test, in determining the significance of each path coefficient, estimate of regression weight, standard error of regression weight, and critical ratio for regression weight, (C.R= dividing the regression weight estimate by the estimate of its standard error gives) were used.

Table 3 presents each parameter's C.R., estimate and S.E of the generating model. Hence, market orientation has a significant positive and direct impact on CSR ($\beta = .410$, C.R = 3.820; $P = ***$) or H1 is supported. Competitive orientation has a significant positive and direct impact on CSR ($\beta = .226$, C.R= 4.349; $P = ***$) or H2 is supported. Humanistic orientation has a positive significant direct impact on CSR ($\beta = .227$, C.R= 2.794; $P = 0.005$) or H3 is also supported. However, perceived CSR has a positive direct impact on company performance ($\beta = 0.340$, C.R= 2.450, $P = 0.014$) or H4 is supported.

Table 3. Hypotheses Testing Result of Generating Model

H.	Estimate	SE	C.R	P	Hypothesis
H1	.410	.107	3.820	***	Accepted
H2	.226	.052	4.349	***	Accepted
H3	.227	.081	2.794	.005	Accepted
H4	.340	.139	2.450	.014	Accepted

Note: * $p < 0.05$, ** $p < 0.10$, S.E. = Standard Error, C.R. = Critical Ratio

The result of this study seems to be consistent with that of [12], who indicated that CSR directly affects company performance. In addition, the result of this study also supported the finding of [33], who's suggested CSR as one of the strategies that improve company performance. On the other hand, our finding is consistent with that of [13], who indicated that CSR has a significant impact on company performance. The literature showed that Among the most popular strategies, CSR strategy [9, 47] have been confirmed by researchers to be very important strategy that help the companies to create and sustain their competitive advantage. Given this importance, there has been an extensive research work examining the impact of CSR practices on company performance.

Accordingly, there are a number of past studies that have obtained similar results, and indicate that market orientation, competitive orientation and humanistic orientation is a good predictor, and plays a very significant role in CSR adoption [48]. In simple words, market orientation, humanistic orientation and competitive orientation drives the implementation of CSR. Therefore, Malaysian public listed companies noted these factors will encourage more customer satisfy with their product or service in case they have easy access to understanding of customer needs, create greater value for customers and integrated in serving the needs of their target markets.

Therefore, CSR can be considered also as an aspect of a organization culture strategy. The sentiments and expectations of the target market are gathered, evaluated and made available to all the key decision makers in the organisation. This intelligence then is used to shape the organisational response mechanism to the target market as appropriate and timely reaction. At the same time, since strategic marketing objectives are, potentially, designed to support and facilitate the achievement of other key organisational objectives, it is expected that the consumption-based approach to CSR strategy will contribute to, and be associated with, nonmarketing organisational performance as well as marketing performance indicators.

5. Further Research

This study only focused on public listed companies in Malaysia. Other companies, such as small and medium size, and private companies, were excluded from the study. There is now an opportunity to research CSR in this broader sector. In particular, it would be interesting to undertake research on the small and medium size given the increased level of competition.[34] Conducted a study to discover the relationship between CSR and company performance by determining the presence of CSR features on public listed companies. They found that companies differ in the presence of CSR features, and that there is a positive relationship between CSR and company performance.

Many companies believe that they will be successful if they invest more money by adopting CSR [9, 49]. The impact of CSR on company performance is real and so are the problems for certain organizations in terms of successful implementation [16, 20]. Finally, future research could examine more antecedent or factors influencing CSR in Malaysia, since the variables are still recommended to be investigated on a larger scale by future research with specific attention being given to CSR. These variables could include the Public Concern, Regulatory Forces and others.

REFERENCES

- [1] N. Abu-Baker and K. Naser, "Empirical evidence on corporate social disclosure (CSD) practices in Jordan," *International Journal of Commerce and Management*, vol. 10, pp. 18-34, 2000.
- [2] A. R. Belal, "A study of corporate social disclosures in Bangladesh," *Managerial Auditing Journal*, vol. 16, pp. 274-289, 2001.
- [3] S. Imam, "Corporate social performance reporting in Bangladesh," *Managerial Auditing Journal*, vol. 15, pp. 133-142, 2000.
- [4] E. W. Tsang, "A longitudinal study of corporate social reporting in Singapore: the case of the banking, food and

- beverages and hotel industries," *Accounting, Auditing & Accountability Journal*, vol. 11, pp. 624-635, 1998.
- [5] A. Amran and A. Siti-Nabiha, "Corporate social reporting in Malaysia: a case of mimicking the West or succumbing to local pressure," *Social Responsibility Journal*, vol. 5, pp. 358-375, 2009.
 - [6] J. Ng, "Locally listed companies perform poorly in CSR," *CSR Malaysia*. [Online] Available: <http://www.csr-malaysia.org/news/malaysian-reserve/locally-listed-companies-perform-poorly-csr-20080408105>, 2008.
 - [7] C. L. Goi and K. H. Yong, "Contribution of Public Relations (PR) to Corporate Social Responsibility (CSR): A Review on Malaysia Perspective," *International Journal of Marketing Studies*, vol. 1, p. P46, 2009.
 - [8] K. W. Rundell, et al., "Decreased lung function after inhalation of ultrafine and fine particulate matter during exercise is related to decreased total nitrate in exhaled breath condensate," *Inhalation toxicology*, vol. 20, pp. 1-9, 2008.
 - [9] R. A. Rahim, et al., "The importance of corporate social responsibility on consumer behaviour in Malaysia," *Asian Academy of Management Journal*, vol. 16, pp. 119-139, 2011.
 - [10] L. Burke and J. M. Logsdon, "How corporate social responsibility pays off," *Long range planning*, vol. 29, pp. 495-502, 1996.
 - [11] P. L. Cochran and R. A. Wood, "Corporate Social Responsibility and Financial Performance," *Academy of management Journal*, vol. 27, pp. 42-56, 1984.
 - [12] N. A. Dentchev, "Corporate social performance as a business strategy," *Journal of Business Ethics*, vol. 55, pp. 395-410, 2004.
 - [13] J. D. Margolis and J. P. Walsh, "Misery loves companies: Rethinking social initiatives by business," *Administrative science quarterly*, vol. 48, pp. 268-305, 2003.
 - [14] L. E. Preston and D. P. O'Bannon, "The corporate social-financial performance relationship," *Business and society*, vol. 36, pp. 419-429, 1997.
 - [15] A. A. Ullmann, "Data in search of a theory: a critical examination of the relationships among social performance, social disclosure, and economic performance of US firms," *Academy of management review*, pp. 540-557, 1985.
 - [16] M. L. Barnett, "Stakeholder influence capacity and the variability of financial returns to corporate social responsibility," *Academy of management review*, vol. 32, pp. 794-816, 2007.
 - [17] R. W. Ingram and K. B. Frazier, "Environmental performance and corporate disclosure," *Journal of accounting research*, vol. 18, pp. 614-622, 1980.
 - [18] M. C. Jensen, "Value maximization, stakeholder theory, and the corporate objective function," *Journal of applied corporate finance*, vol. 14, pp. 8-21, 2001.
 - [19] R. A. Johnson and D. W. Greening, "The effects of corporate governance and institutional ownership types of corporate social performance," *Academy of management Journal*, vol. 42, pp. 564-576, 1999.
 - [20] A. A. King and M. J. Lenox, "Does it really pay to be green? An empirical study of firm environmental and financial performance: An empirical study of firm environmental and financial performance," *Journal of Industrial Ecology*, vol. 5, pp. 105-116, 2001.
 - [21] J. Rockness, et al., "Hazardous waste disposal, corporate disclosure, and financial performance in the chemical industry," *Advances in public interest accounting*, vol. 1, pp. 167-191, 1986.
 - [22] J. C. Narver and S. F. Slater, "The effect of a market orientation on business profitability," *The Journal of Marketing*, pp. 20-35, 1990.
 - [23] I. Maignan, et al., "Corporate citizenship: cultural antecedents and business benefits," *Journal of the Academy of Marketing Science*, vol. 27, pp. 455-469, 1999.
 - [24] L. A. Mohr, et al., "Do consumers expect companies to be socially responsible? The impact of corporate social responsibility on buying behavior," *Journal of Consumer Affairs*, vol. 35, pp. 45-72, 2001.
 - [25] R. Abratt and D. Sacks, "Perceptions of the societal marketing concept," *European Journal of Marketing*, vol. 23, pp. 25-33, 1989.
 - [26] Y. Poolthong and R. Mandhachitara, "Customer expectations of CSR, perceived service quality and brand effect in Thai retail banking," *International Journal of Bank Marketing*, vol. 27, pp. 408-427, 2009.
 - [27] B. Rettab, et al., "A study of management perceptions of the impact of corporate social responsibility on organisational performance in emerging economies: the case of Dubai," *Journal of Business Ethics*, vol. 89, pp. 371-390, 2009.
 - [28] R. A. Cooke and D. M. Rousseau, "Behavioral Norms and Expectations A Quantitative Approach To the Assessment of Organizational Culture," *Group & Organization Management*, vol. 13, pp. 245-273, 1988.
 - [29] S. L. Berman, et al., "Does stakeholder orientation matter? The relationship between stakeholder management models and firm financial performance," *Academy of management Journal*, pp. 488-506, 1999.
 - [30] J. A. Howard-Grenville, et al., "The Importance of Cultural Framing to the Success of Social Initiatives in Business[and Executive Commentary]," *The Academy of Management Executive* (1993-2005), pp. 70-86, 2003.
 - [31] P. Jones, et al., "What's in store? Retail marketing and corporate social responsibility," *Marketing Intelligence & Planning*, vol. 25, pp. 17-30, 2007.
 - [32] T. Melo and J. I. Galan, "Effects of corporate social responsibility on brand value," *Journal of Brand Management*, vol. 18, pp. 423-437, 2011.
 - [33] J. Classon and J. Dahlström, "How can CSR affect company performance?: A qualitative study of CSR and its effects," *KTH*, 2006.
 - [34] K. H. Kang, et al., "Impacts of positive and negative corporate social responsibility activities on company performance in the hospitality industry," *International Journal of Hospitality Management*, vol. 29, pp. 72-82, 2010.
 - [35] D. Vogel, *The market for virtue: The potential and limits of corporate social responsibility*: Brookings Inst Press, 2006.

- [36] D. Margolis and J. P. Walsh, *People and profits?: The search for a link between a company's social and financial performance*: Psychology Press, 2001.
- [37] A. B. Carroll, "A three-dimensional conceptual model of corporate performance," *Academy of management review*, pp. 497-505, 1979.
- [38] A. B. Carroll, "The pyramid of corporate social responsibility: toward the moral management of organizational stakeholders," *Business horizons*, vol. 34, pp. 39-48, 1991.
- [39] K. MacMillan, et al., "United Kingdom: Best and Worst Corporate Reputations Nominations by the General Public," *Corporate Reputation Review*, vol. 4, pp. 374-384, 2002.
- [40] A. O. Olalekan, "Human rights, human wrongs and the rule of law: analysis and action," *Journal of Social Science and Public Policy*, pp. 58-75, 2011.
- [41] L. Y. Sin, Tse, A. C., & Chan, H. , "the Effect of Relationship Marketing Orientation on Business Performance in the Hotel Industry," *Journal of Hospitality and Tourism Research*, vol. 30, pp. 407-426, 2006.
- [42] J. F. Hair, et al., *Multivariate data analysis* vol. 7: Prentice Hall Upper Saddle River, NJ, 2010.
- [43] R. E. Anderson, et al., *Multivariate data analysis*: Prentice-Hall London, 1998.
- [44] E. G. Carmines and J. P. McIver, "Analyzing models with unobserved variables: Analysis of covariance structures," *Social measurement: Current issues*, pp. 65-115, 1981.
- [45] S. Chakraborty, et al., "Impacts of global change on diseases of agricultural crops and forest trees," *CAB Reviews*, vol. 3, p. 054, 2008.
- [46] M. W. Browne, et al., "Alternative ways of assessing model fit," *Sage Focus Editions*, vol. 154, pp. 136-136, 1993.
- [47] M. Saleh, "Corporate social responsibility disclosure in an emerging market: a longitudinal analysis approach," *International Business Research*, vol. 2, p. P131, 2009.
- [48] M. Dwairi, et al., "Revisiting the pioneering market orientation model in an emerging economy," *European Journal of Marketing*, vol. 41, pp. 713-721, 2007.
- [49] S. Zakaria and N. Dewa, "Corporate social responsibility (CSR) reporting in six Malaysian financial institutions," 2010.