

ARE MALAYSIAN COMPANIES READY FOR CORPORATE SOCIAL RESPONSIBILITY?

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ABSTRACT

The paper reviewed the importance of Corporate Social Responsibility (CSR) and its influence towards Malaysian companies. A cross examination was conducted on a research done by Rashid et al., (2002) on the involvement of Malaysian companies in CSR activities. The analysis revealed that most of the large Malaysian companies are involved in CSR activities. At the end of the paper, it concludes that CSR is not new in Malaysia but more commitment from the majority is needed in order to achieve a sustainable business environment in the near future.

Keywords: Corporate Governance, Corporate Social Responsibility, Sustainable , Commitment

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Introduction

Apart from corporate governance which is of priority among the shareholders and stakeholders, the issue of Corporate Social Responsibility (CSR) has been of growing concern to all members of society lately. This is because the recent US financial crisis has severely impacted the global economy which served as a good reminder. The consequences of the crisis not only that made many investors around the world lost money but also caused many employees in US, Europe and to some extent in Asia lost their jobs permanently. The repercussion would hinder social progress as people have to live below their means to cope with higher cost of living. Meantime, irresponsible organizations that directly or indirectly contributed to global warming continued to threaten people's living environment amidst of the above two issues. Hence, immediate remedy actions must be taken by all businesses to ensure the three pillars of sustainable development is attained. This responsibility is rested on the shoulder of businesses because Lord Holme claimed that *"Business is part of society, and how it reacts to expectations should not be as a response to an external force but as a response to forces which it is part and parcel of"*. (Bourne, 1999)

In fact, CSR is not a new issue. Even prior to the US financial crisis and after the preceding Asian financial crisis 1997 and Enron/Worldcom corporate failures, most countries especially OECD members' countries had already started to push for greater attention and commitment. But the question is how enforceable and effective the implementation of the CSR policy among members countries. That is why the issue of CSR remains a great challenge until today.

On the other hand, the pressures of achieving sustainable development are coming from all directions within the society as well. From shareholders demanding for higher returns, employees asking for better welfare, customers looking for better quality products, to public expectation for more community services contribution, had indeed forcing businesses to fulfil the responsibility.

In Malaysia, although we are not a member of OECD and only recognised as a developing country but the degree of awareness and engagement in CSR is not at an ignorance stage. This is because the Malaysian government played its leadership role in taking the initiative to ensure the country remains competitive both for local and foreign investors. Post-crisis, in 1998 the Malaysian Finance Committee on Corporate Governance (FCCG) was formed to handle issues related to corporate transparency, accountability, and responsibility which herein extended to CSR (see Para 1.1 of FCCG's report, 1999). While the Malaysian government had initiated their part as regulator, investors encountered past bad experiences with Perwaja Steel, Transmile, and MAS to name a few began to raise their voice for greater financial reporting transparency. After too much frustration on many downsizing and VSS in the banking industry, today employees dare to challenge their employers for 'fair dealing' and better 'employee welfare' through the Bank Union. The Malaysian consumers are also becoming more and more educated to express out their dissatisfactions through consumer associations like Consumers Association of Penang and Consumer Association of Sabah. Upon experiencing from the past General Election, the Malaysian public seems to realize their powerful 'Rakyat Voice' in demanding more and better public amenities including hospital, schools, infrastructures, religious buildings etc as part of their human rights. As for the environmental issues various dedicated NGOs already being established to deal

with specific issue. One of the latest examples is the proposed coal-fired plant project in Lahad Datu to solve electricity shortage in Sabah, has been strongly protested by the Sabah Environmental Protection Association, Green Surf and Pacos.

In view of the above, it is a clear message to the Malaysian companies that they no longer can ignore CSR and take it lightly if they want to achieve business success together with all the 'greater partners' namely all the members of society. This is because CSR involvement would improve long term profitability (Rashid et al., 2002). Another benefit for companies adopt CSR is the enhancement of corporate reputation and goodwill (Holmes, 1976). Therefore, Malaysian companies should incorporate CSR into a company's strategies and be a part of the boardroom agenda (Star, 2010). But so far, how do Malaysian companies fair in playing a role in CSR?

Based on a research conducted on Malaysian companies by Rashid et al., (2002), 97.5% of the 198 respondents agreed that Malaysian companies are involved in CSR activities. This commitment has started ever since 1991 and it is clear that CSR is not new in Malaysia. Please refer Table 1 below for further details on what areas of CSR that Malaysian companies emphasized.

Table 1: Areas of CSR in which Malaysian companies are involved

		Yes 2001 (%)	Yes 1991 (%)
1	Employees' welfare (facilities and benefits)	91.8	91.8
2	Responsive to consumer's complaints	82.9	86.4
3	Maintaining product/service quality to consumers	76.7	82.7
4	Ensuring product safety	62.3	64.5
5	Donation to welfare organizations	60.3	80.0
6	Provide guarantee policy or warranty provisions	52.1	
7	Provide contribution for games and sports	35.6	70.9
8	Contribution to culture and/or literary works	34.9	
9	Employment of handicapped individual	32.9	
10	Contribution to educational institutions (other than research grants, e.g. scholarships or bursary to students)	24.7	
11	Assistance in overcoming problems related to drug-abuse and alcoholism	21.2	
12	Provide loans for low-income housing	28.1	
13	Provide loans to small enterprise	21.9	
14	Contribution for public amenities (e.g. bus stop shades)	19.9	
15	Contribution to crime prevention	15.1	

(Source: Rashid, ZA, & Ibrahim, S 2002, 'Executive and management attitude towards corporate social responsibility in Malaysia,' Corporate governance, vol. 2, no. 4, pp. 14.)

In addition, according to Datuk Johan Raslan, the Chairman of Institute of Corporate Responsibility (ICR) Malaysia (Star, 2010), "*Our regulators and influencers such as the Securities Commission and Bursa Malaysia have done a huge amount to ensure that corporate Malaysia has 'CR Inside'. As a result, CR is on the management and boardroom agenda in most large companies and many small ones too*". The following Malaysian corporations commitment and activities engagement (Star, 2010) are evidences of Datuk Johan's statement.

- i. Malaysia Airports continued efforts and commitment in preserving green had led them to be the only airport in the world to win the Green Globe 21 certification for five consecutive years. According to Nik Anis Nik Zakaria, the General Manager, Malaysia Airport is very serious on CSR with extensive tasks which handle by capable staff.
- ii. Chemical Company of Malaysia Bhd has incorporated CSR in their strategic business plan enables them to be seen as a good corporate citizen and environmentally responsible. They put CSR at the core of its business so as to achieve long term benefits for the shareholders.
- iii. Meanwhile, Petronas Gas Bhd CSR initiatives are more education-oriented. Through its special CSR unit namely Program Bakti Pendidikan Petronas (PBPP), Petronas conducted education programmes on Mathematics, Science, and English language to benefit the public at no cost. Ultimately, their CSR mission would fulfil the social expectation on education and training which is essential in developing human capital for the country.
- iv. Another GLC, Telekom Malaysia Bhd took up the responsibility to groom the local entrepreneurs, small and medium-sized businesses moving towards to attain our country long term economic development pillar. Under their procurement department, are providing entrepreneur development training programmes for selected candidates.
- v. MRCB value the importance of sustainable development, environmental conservation and biodiversity protection as part of their long-term sustainability goals. Therefore, they have recently invested in internationally recognized environmental green certification for the construction industry both for the present and future project developments.
- vi. On the other hand, Digi.com Bhd is more concern about their employees whereby they provided a fair and conducive work environment enable employees to enjoy a balance life. Same things go to Faber Group Bhd which introduced employee-friendly policy to ensure working environment is conducive. In fact, it has extended into protecting human rights with a specific sexual harassment policy to eliminate sexual misconduct in the workplace.
- vii. Some Malaysian companies emphasize on customers priority are Lafarge Malayan Cement and Putrajaya Perdana Bhd. They are more concerns in ensuring fair marketing practices, transparency and satisfying towards customer expectations.
- viii. Companies which focusing on recycling process and waste management are Alcom Bhd, Tex Cycle Technology (M) Bhd, and Yeo Hiap Seng (Malaysia) Bhd. They all share the same CSR mission in conserving a cleaner and healthier environment for the society.

Based on the above Star report review, clearly most of the recent social expectations in the areas of environment, education, economic, employee welfare, customer satisfaction and human rights has somehow or another been addressed by some of the leading Malaysian companies. Therefore, we can infer that the Malaysian companies are already aware the importance of CSR and are playing their roles in line with the relevant authorities' call. However, despite these companies are progressing well with their respective high standard of CSR but in terms of numbers, Malaysia still far from the OECD expectation. Therefore, in order to achieve a sustainable business environment in the near future, the Malaysian companies must commit to involve in CSR seriously. This is because CSR has become an extremely important economic, social and political issues for both developed and developing countries at all levels (Carroll, 1999; Matten and

Crane, 2005).

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