

## **Corporate Social Responsibility (CSR) and Entrepreneurship: A Conceptual Model**

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### **Abstract**

Corporate Social Responsibility (CSR) is growing in prominence and importance. Large businesses such as banks are instituting comprehensive CSR programs that focus on social and environment concerns. Concurrently, the interest in entrepreneurship is also growing. Entrepreneurship fosters economic growth, social development, creates jobs and encourages innovation. Thus far, in the Malaysian context, these two phenomena are developing largely in isolation. CSR programs that focus on assisting entrepreneurs are absent. Herein lies an opportunity to synergize and create value. Large businesses, particularly banks, are well-positioned to assist entrepreneurs gain a foothold in the business world. Banks have the management expertise, credit facilities and business networks to assist entrepreneurs in an effective and efficient manner. An overview of neighboring Indonesia reveals several banks deploying CSR programs that specifically assists entrepreneurs. Institutional Isomorphism Theory is used to frame and conceptualize this phenomenon. Data collection methodology is document analysis in a cross-country comparative context. The findings suggest isomorphic tendency and suitability for Malaysian banks to emulate their Indonesian brethren in instituting CSR programs tailored to assist entrepreneurs. Specifically, a CSR program targeted at entrepreneurs in Malaysian night markets is proposed. The proposed CSR program assists this targeted group to embrace e-commerce, finance business development and adopt other modern business practices. Conceptually, this proposed CSR program can actualize an “enhanced night market” that is commercially competitive, socially sustainable and can potentially become international tourist attractions.

### **Keywords**

Corporate Social Responsibility (CSR), entrepreneurship, Institutional Isomorphism Theory, banks, enhanced night markets,

## Background

The concept and practice of Corporate Social Responsibility (CSR) is gaining prominence. International standards have been devised such as Global Reporting Initiative (GRI) and ISO26000 Social Responsibility (ISO, 2010) to encourage awareness and subsequent adherence of CSR practices (Bustami, Na, Nasruddin, & A'mmaari, 2013). CSR activities customarily fall into the categories of *Profits, People & Planet* or the “Triple Bottom Line” (Elkington, 1997). CSR programs impacting people and planet deservingly receive significant attention and publicity. It is now timely to focus on developing entrepreneurs. Entrepreneurship fosters economic growth, social development, creates jobs and encourages innovation. Entrepreneurship serves an important social function in providing livelihood opportunities for the B40 (bottom 40%) group. However, failure rate in entrepreneurship is high (Hogarth, & Karelaia, 2011) with lack of management expertise and access to capital often cited as the main challenges (Forbes, 2016). Large corporations such as banks can play an important role in assisting entrepreneurs as a CSR program.

This study uses the methodology of content analysis to describe and analyze CSR programs in banks in Malaysia and Indonesia. Content analysis is defined by Krippendorff (1980) as “a research technique for making replicable and valid inferences from data according to their context” and by Leedy and Ormrod (2001) as “A detailed and systematic examination of the contents of a particular body of materials for the purpose of identifying patterns, themes, or biases.” Content analysis is used to detect and quantify phenomena in an objective manner. In this study, content analysis is applied on documents, published literature and the official websites of banks. Indonesian banks reveal several CSR programs that specifically focus on assisting entrepreneurs. In contrast, Malaysian banks reveals a deficit of such CSR programs. This difference is analysed using the theoretical framework of Institutional Theory with findings indicating suitability for Malaysian banks to emulate their Indonesian brethren in deploying CSR programs that assists entrepreneurs.

For practical application, a conceptual model is proposed of a bank CSR program that focusses on night markets in Malaysia. Night markets are hotbeds of entrepreneurship particularly from the B40 group, and they have strong social and cultural functions. The sustainability of night markets in its traditional format in Malaysia is questionable as the majority do not to embrace modern business practices like e-commerce, franchising, advertising and marketing. An upgraded “enhanced night market” model led by a bank CSR program is proposed. As a CSR program, upgrading towards enhanced night markets will be non-profit motivated, and thus the commercial and social interests of the entrepreneurs are protected. Successful enhanced night markets will have multiplier effect on the economy and society.

## Literature Review and Theoretical Framework

There is no precise definition of CSR as the conceptual frameworks and theories behind it are still evolving, congealing and coagulating. What is commonly known as CSR today has a long and varied history with roots in philanthropy and business ethics. “In spite of its recent growth and popularity, one can trace for centuries evidence of the business community’s concern for society” (Crane, 2008). The Malaysian stock exchange, Bursa Malaysia, requires public listed companies

such as banks to publish their sustainability performance (Bursa Malaysia, 2020). This requirement encourages companies to continuously improve their sustainability performances under the glare of public scrutiny (Carroll, Lipartito, Post, & Werhane, 2012).

Malaysia is considered as active in CSR among developing countries (Zulkifli & Amran, 2006). A tabulation of the specific CSR programs of Malaysian banks (Musdiana et al, 2012) reveals they fall within community welfare (charity, donation, sponsorship, community building fund, healthcare, etc.) and environment (recycling campaign, tree planting campaign, forestry project, biodiversity project, nature hunt, etc.). CSR programs focused on assisting entrepreneurs are absent. A current search on Malaysian banks' official websites reveal that the closest to a CSR program specifically assisting entrepreneurs is Malaysian Banking Berhad's "*sama-sama lokal*" (together be local) program (Maybank2u, 2020). This program utilizes the bank's e-commerce platform to promote existing local businesses in general, it does not specifically assist upcoming entrepreneurs.

An overview of Indonesian banks depict a different scenario where there are CSR programs that specifically assist aspiring entrepreneurs. For example, the main CSR program of Bank Mandiri is "*Wirausaha Muda Mandiri*" (Mandiri Young Entrepreneurs). This program assists entrepreneurs with skills training, promotion and branding via expositions, and recognition via awards (Bank Mandiri, 2020). Similarly, BCA (Bank Central Asia) has a CSR program called "*Solusi Bisnis Unggul*" (Excellent Business Solutions) that assist micro, small and medium enterprises (MSMEs) and rural community groups (BCA, 2020). Through this program, selected villages are developed into tourist destinations to provide job and business opportunities for the locals. Evidently, Indonesian banks' CSR programs actively assist and support aspiring entrepreneurs.

Institutional Theory provides a suitable lens to analyze the difference in Malaysian and Indonesian banks' CSR programs related to entrepreneurship. "Institutions" are social structures composed of social norms, cultural values, relationships, expectations and formal regulations that are well-developed, stable and resilient. Malaysia and Indonesia are obviously different countries with different institutions, but there are considerable similarities. Both countries are part of *Nusantara* or Malay Archipelago with closely connected geography, history, language, culture and religion. Both are middle-income developing countries (The World Bank, 2020) with heterogeneous societies. The theory of institutional isomorphism predicts gravitation towards homogeneity in institutional structuration. DiMaggio and Powell (1983) outlines three mechanisms of institutional isomorphic change namely coercive isomorphism, mimetic isomorphism and normative isomorphism. Contemporary research depicts institutional isomorphism in educational institutions (Seyfriend et al, 2019) and organizations in unpredictable environments (Gabriel & Wobodo, 2019). The proposal for Malaysian banks to emulate their Indonesian counterparts in deploying CSR programs that assists entrepreneurs is based on mimetic isomorphism. Mimetic isomorphism occurs when institutions are faced with uncertain and ambiguous environments. To reduce the volatility and risks, institutions mimic existing models within comparable environments. As the concept of CSR is still maturing, mimetic isomorphism is unsurprising and rational in banking institutions' CSR programs. To ground the conceptual model of Malaysian banks emulating their Indonesian peers in deploying CSR programs that directly assist entrepreneurs, a specific program on enhanced night markets is proposed.

Night markets are an important component of the Malaysian economy and society. Night market vendors predominantly comprise micro, small and medium enterprises (MSMEs) entrepreneurs from the B40 group (Salleh et al, 2012; Ishak et al, 2012). Small and medium enterprises comprise more than a third of Gross Domestic Product (GDP) and provide more than four million jobs in Malaysia (Bank Negara Malaysia, 2020). A critical analysis yields several problems or challenges with the current realities of Malaysian night markets. Many night market entrepreneurs do not have formal education or training in business skills or best-known methods. Night markets have limited reach that is frequently confined by geographical proximity and local networks. As such, there is a tendency for stagnancy of business capacity – when sales and purchases reach a ceiling, there is seldom improvements to expand ‘production capacity’ and ‘market share’. There is a lack of vertical and horizontal stakeholders’ engagement and limited digitization internally and externally with customers locally and beyond. In short, the existing institutional model of night markets is ripe for enhancement.

### Conceptual Model of Enhanced Night Markets as a Bank CSR Program

In its existing structure, night markets face the challenges of limited publicity and target market reach; fragmented organization; and very limited adoption of electronic platforms, e-commerce and other modern business practices. In the current era of Industry 4.0, night markets need to transform into an enhanced structure to keep pace with technological advancement. A key factor is the optimal and sustainable adoption of electronic platforms and e-commerce by night markets. The “enhanced night market” is envisioned as an entity that addresses the challenges of existing night markets and propels them into becoming international tourist attractions that benefits all stakeholders. The current stakeholders of existing night markets are depicted below:



Figure 1: Stakeholders of existing night markets

The challenge is to shift to an enhanced night market that involves expanded stakeholders as depicted below:



Figure 2: Stakeholders of enhanced night markets

This enhanced night market is conceptualized with the following attributes:

1. It is commercially vibrant, competitive and sustainable.
2. It is socially inclusive, promotes social cohesiveness and reflects local cultures.
3. It provides jobs, livelihood and opportunities for entrepreneurship for the B40 group.
4. It is enhanced by an electronic platform and embraces e-commerce.
5. It is managed by a national organization that is non-profit driven to ensure that the entrepreneurs and visitors are not commercially exploited.

Currently, the management of existing night markets is very fragmented as they are organized by various city or town councils, village committees (Jawatankuasa Kemajuan Keselamatan Kampung (JKKK) or Majlis Pengurusan Komuniti Kampung (MPKK)), residents' associations, societies, cooperatives and even individuals (Majlis Bandaran Seberang Perai, 2020). A key component of the enhanced night market is a central organization to manage the electronic platform and promote night markets on a nation-wide basis. This organization should have the necessary capability and resources, a nation-wide reach and be non-profit driven to protect the interests of entrepreneurs and society.

Banks are well-positioned to take on the role of this organization as a CSR program. The core competency of banks is to evaluate the commercial viability of businesses to determine the

appropriate financial instruments required. A bank's wide range of clients and customers also form a rich network of contacts, information and business resources. Banks can offer a complete systematic module for entrepreneurship training, engage in capacity-building activities and establish a national e-commerce platform for all night market entrepreneurs. Once the entrepreneurs are nurtured and their businesses mature, they can naturally become the bank's clients, thus fostering a commercial "win-win" relationship that is crucial for sustainability. Banks also benefit from the publicity and public goodwill generated CSR programs. Sustainability of CSR programs is a major challenge as companies typically do not provide perpetually funding without tangible returns. Engaging and consulting all stakeholders is also crucial for the success and sustainability of CSR programs.

### **Discussion, Implications and Conclusion**

The Covid-19 pandemic and subsequent MCO (movement control order) has forced many businesses to change and adapt to a "new normal" of operations. Changes also bring opportunity to upgrade and improve on existing institutional structures and paradigms. This conceptual model of Malaysian banks assisting night market entrepreneurs as a CSR program is envisaged to upgrade current night markets into enhance night markets, and improve the scope and diversity of bank's CSR programs.

Change does not take place easily and "painlessly", there will always be resistance. In this conceptual model, it is important to engage all stakeholders of existing night markets (Diagram 1) and the expanded stakeholders of enhanced night markets (Diagram 2). It is foreseen that there will inevitably be resistance from existing stakeholders who perceive their role as threatened or diminished in the presence of expanded stakeholders in enhanced night markets. On the positive aspect, a changing and dynamic situation provides opportunities for "new normal" structuration and conceptual models.

The theory of institutional isomorphism foresees a convergence of institutional structures, and the comparison between Indonesian and Malaysian banks' CSR programs is insightful and instructive. As neighboring countries with multi-faceted similarities, there are abundant practices and institutional structures that can be suitably and appropriately adopted from each other. This conceptual model of Malaysian banks adopting their Indonesian peer's practice of deploying CSR programs that assist entrepreneurs is an example.

Enhance night markets, supported by banks as a CSR program, brings about substantial multiplier effects and benefits. It provides opportunities for entrepreneurship, innovation, livelihood, commerce, socialization, recreation and communal cohesiveness. In the post Covid-19 situation whereby economies and employment are severely impacted, it can play an important role in reviving and recovering entrepreneurs, businesses and communities.

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