

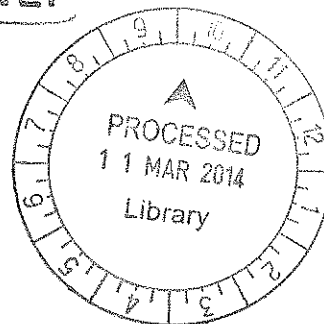
INTI INTERNATIONAL UNIVERSITY

MASTER OF BUSINESS ADMINISTRATION

IMPORTANCE OF CORPORATE SOCIAL RESPONSIBILITY STRATEGIES IN MALAYSIAN COMPANIES

FOR REFERENCE ONLY

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ABSTRACT

Corporate social responsibility (CSR) concept has evolved over the time from being relatively insignificant to a concept that has been actively implemented by organizations. The reason why many organizations implement CSR strategies is because of the various benefits which CSR is capable of providing. In Malaysia, the practice of CSR is growing fast and the government has taken steps to make CSR reporting a part of the corporate governance requirements of public listed companies. No doubt, there is an increasing number of Malaysian companies are implementing CSR as they seem to realize the importance of using CSR strategies to enhance their competitiveness and long term profitability. In fact, there are still a large number of companies which have yet embrace CSR strategies because companies like these do not know about potential benefits from using CSR strategies. In essence, these companies do not implement proper CSR strategies because they feel it is not an effective way to attract customers. Hence, this research is being carried out to show how Malaysian companies are implementing CSR and how they have been benefited. The analysis is carried by using Malaysian property development companies to have an idea on how CSR strategies benefited them in enhancing the competitiveness of their industry and the Malaysia economy. The study would be exploratory in nature and utilize qualitative research methods comprising of interviews and content analysis. There will be an interview carried out with a leading Malaysian property developer in order to acquire insights about the use of CSR strategies and how it helps enhance their competitiveness. Content analysis is carried out by analyzing the content of annual reports of ten Malaysian construction companies to determine the type of CSR strategies used by them, the effectiveness of these strategies in enhancing their competitiveness etc. It will be determined whether CSR strategies used by companies would help them acquire long term profitability for shareholders.

Keywords: CSR strategies, competitive advantage, profitability, construction companies, Malaysia

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DECLARATION

I hereby declare that this research project is of my own effort except for the information that has been used from various authors that have been cited accordingly and ethically.

14th November

Dinara Assanova

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CHAPTER ONE:

Introduction

1.0 Introduction

This chapter introduces the research and presents analysis of the research background, the problem statement, the significance of research, the research questions, the research objectives and the research limitations.

1.1 Research Background

A trend of practicing corporate social responsibility (CSR) within corporate organizations in Malaysia is presently growing fast and an increasing number of Malaysian companies understand the importance of using CSR strategies to enhance their competitiveness and long term profitability (Lu and Castka, 2009). These companies understand the fact that CSR strategies bring about a number of benefits which include helping the company carve a positive image and reputation in the eyes of the public. The positive image created is helpful in generating a competitive advantage and researcher Lo and Yap (2011) in their research have noted that companies which embrace a very active role in promoting their CSR programs are the ones that are viewed more favorably by consumers as opposed to companies that do not have a highly visible CSR related programs. The fact is that having vision and goals for a company that goes beyond profits and products definitely provides a much better image of a company which its consumers would be very eager to become engaged with (Lu and Castka, 2009).

The importance of CSR to a company is also evidenced by the fact that companies that are well known in practicing efficient CSR would have a much easier experience in dealing with regulations of the government as opposed to

organizations which have a reckless disregard for CSR, who are likely to find themselves fending off various probes and inquiries from various government and non-governmental organizations (Yam, 2010). The more positive the overall public perception of a company, the more unlikely it is that activist groups would launch public campaigns and demand government inquiries against the company in question (Lu and Castka, 2009). Another reason why CSR is important to the competitiveness of a company is because it would help build a positive working environment for its employees and enhance the welfare of employees, hence making them more satisfied and capable of delivering high performance (Mosaid and Boutti, 2012). To be competitive in the industry, employee engagement has always deemed to be a most efficient and effective means. Generally, the company that the employees work for must be able to provide a more enthusiastic working environment. This has always been a positive relationship between the employee satisfaction and competitive advantage of a company. Organizations having an efficient CSR code would also become very successful in building a community within the organization and this would bring everyone together and would also lead to happier and more productive employees (Yam, 2008).

There are a number of different CSR theories that are present and these include the managerial, utilitarian and relational theories. The managerial theories relate to social accountability, corporate social performance, reporting and auditing and multinational social responsibility. The utilitarian theories involve theories on the social costs and functionalism. In terms of relational theory, it involves the society and business, the theory of social contract, the stakeholder approach and corporate global citizenship (Secchi, 2007). A number of CSR strategies types are used and which are being practiced by companies and these are divided into 2 categories. The first category consists of the resign, defensive and offensive strategy category while the second category comprises of the obstructionist, defensive, accommodative and proactive strategy category. In Malaysia,

companies are known to implement CSR strategies that help provide resources and funding for various social causes that are worthwhile (donating money to charities) and also implementing plans to produce a product or service which serves the best interests of society (using safe materials in order to manufacture and design products) like implementing corporate environmental strategies to stimulate job creation and economic development (Lu and Castka, 2009). CSR programs that are very successful are programs that integrate both these kinds of CSR in order to demonstrate a true commitment towards a particular cause. For instance, a company which demonstrates a true commitment towards the environment would be the ones that utilize sustainable materials when manufacturing their products, or make a donation of financial resources to an environmental cause and give its employees paid time off to volunteer at environmental charities (Lo and Yap, 2011).

The importance of CSR in generating competitiveness is also evident in the fact that CSR can be used as a very efficient marketing tool in order to educate consumers about the CSR strategies of a company and hence would help enhance the public's perception of the company in question. For instance, companies practicing CSR could use social media to publicize their CSR strategies and accomplishments to a large number of people. Companies which want to protect their brand image have to understand the fact that social media has become a very essential and integral part of public perception. CSR practices and initiatives have generally been promoted by companies in the form of fundraising through social media. The adoption of the social media promotion method deemed to be efficient as the engagement with the audiences is more personally, and more importantly, this kind of interpersonal value perception goes beyond the products or services provided by a company (Lu and Yam, 2009). Companies which actively promote their CSR activities are known to initiate steps to publicize their efforts via the use of this media. In essence, there are various CSR related strategies including

employee volunteer programs or corporate donations, reacted to being a very strong branding tool; which has the potential of building publicity for a company online and also on print media (Sun, 2010). The exposure of the company to millions of potential customers that value CSR would then help the company acquire a potentially strong competitive advantage within the industry.

Research that is carried out on the use of CSR in Malaysia shows that many Malaysian companies do not give enough attention to using the correct CSR strategies to enhance their competitiveness. Most of their CSR strategies are either incorrect or not properly implemented and the reason for this is that they do not recognize the importance of CSR strategies in enhancing the competitiveness of their organization. These companies have not managed to view the link between CSR and business competitiveness. These companies do not appreciate the fact that by taking an active role in the implementation of CSR strategies, they would be generally considered more favorably than those that do not have highly appreciable programs. What these companies do not know is that present day consumers are very conscious of whether or not a company is socially responsible and they are consumers that value environmental sustainability (Lo and Yap, 2011). These consumers value efforts taken by the organization in order to preserve the environment and also safeguard the welfare and interest of society. Hence, consumers like these would definitely have a preference to spend their money on purchasing products and services from companies that practice CSR as opposed to companies that do not. It is essential more Malaysian companies have an understanding of consumer trends like these and start to recognize the importance of having efficient CSR strategies.

In this research, there will be an analysis of the importance of CSR to enhancing the competitiveness of present day organizations in Malaysia. A number of Malaysian organizations are selected and analysis will be carried out on them in

order to help answer the research questions. There are many organizations in Malaysia that are implementing CSR but at the same time, there are many organizations that have yet to appreciate the benefits of CSR in enhancing its competitiveness. The research is carried out to show how the implementation of CSR helps in Malaysian developer organizations to improve their competitiveness so as to ensure long term profitability and sustainability. The outcome of this analysis would help to enlighten Malaysian companies in general about how importance CSR really is when it comes to enhancing their organization's competitiveness.

1.2 Problem Definition

In Malaysia, despite the efforts from government encouraging companies to implement CSR strategies, there are still a large number of companies that have yet to embrace CSR. Reasons are varied and the most visible reason is that companies still do not know the benefits of practicing CSR strategies and they do not see the connection between good public image generated by CSR and the long term profitability which ensues (Lo and Yap, 2011). Furthermore, companies lose are not aware of the fact that modern day consumers are members of an information rich community and information about companies and their CSR performance is easily available. The consumers' mindset is changing and an increasing number of consumers are starting to pay more attention to CSR and place a higher level of value on companies that practice CSR (Rahim, 2011). These consumers understand that companies practicing CSR generally are the companies that paying at least a degree of concerns to the environment and the well-being of society (Lu and Castka, 2009). Hence, this research is being carried out to show how Malaysian companies have implemented CSR and benefitted from it and to show companies that are yet to implement effective CSR strategies

about the importance of CSR in generating competitiveness to (Mosaid and Boutti, 2012).

1.3 Significance of Research

This research is significant because it would provide insights about how important CSR is to business success in Malaysian companies. Although it can be inferred that Malaysian companies are well aware of the importance of CSR and many companies are starting to play a role to advance CSR, it is apparent that Malaysia is a country that is far from the expectations of the international business community (Lu and Castka, 2009). In order to achieve a business environment that is sustainable, it is essential that Malaysian companies have to become committed to being highly involved in CSR relates strategies. In essence, CSR has become very essential to economic, social and political matters within Malaysia. Hence, the analysis that carried out here involves analyzing a number of Malaysian companies from the property development industry and their CSR strategies. The outcome of the research is intended to provide an idea on how beneficial CSR strategies are towards enhancing the competitiveness of their company in their industries and also the Malaysia economy.