ENHANCING COMPANY’S PERFORMANCE THROUGH CORPORATE SOCIAL RESPONSIBILITY: A COMPARATIVE STUDY BETWEEN LOCAL AND FOREIGN IN MALAYSIA

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Abstract Since the inception of companies’ activity in Malaysia the value relevance of disclosing accounting information in relation to corporate social responsibility has been an important topic in accounting research. The purpose of this study is to explore different sort of corporate social responsibility activities in Malaysia and to analysis whether the CSR activities contribute to the enhancement of company performance. It will try and reports an explanatory and quantitative study on the characteristic of CSR activities in company’s financial statement, the study will covers the assessment of top one hundred companies in Malaysia whose names and shares are quoted in the Malaysia stock exchange (Bursa Malaysia). The data will be collected through the content analysis of publish company’s annual reports. The data will be interpret and analyst using graphical/regression analysis, to ascertain if inadequate compliance with corporate social responsibility disclosure whether or not will yield to a poor quality of management as well as the nature and quality impact on society in various area. We will also make conclusion on whether the extent of innovative and compliance with CSR framework really improve the performance of the companies. Finally, this research work will provides the basis for an effective corporate social responsibility, and will also serves as reservoirs of knowledge to student agencies government etc. for the development of the country.

Keywords: corporate social responsibility, financial performance, companies.

I Introduction

Does corporate social responsibility (CSR) practice enhance greater corporate performance? Over the years, (CSR) and its effect on organization’s success has been the subject of much academic debate and criticism [1]. ‘The old thinking was that if you make money you can do this positive Social and environmental stuff—but I think the true philosophy of sustainability is the interdependence. It’s not about charity; it’s about the fact that if you do the right things in the community, the community will do the right things for you. If you do the right things for the environment, you’ll have a stronger business so that you can make more money. It’s not about sort of a condescending view...I don’t know if that’s subtle or if people don’t get it, but it’s very important. It’s about interdependence rather than balance. It’s about mutual dependence or interdependence, rather than charity. It’s fundamental.’ [2]

The Asian Financial crises in 1997. There was a loss of confidence by domestic and foreign investors in all emerging markets. This led to a fall in capital inflows and an increase in capital outflows that triggered, in some cases, a very large nominal depreciation and a stock market crash. [3] Asian firms often lag behind their Western counterparts on CSR practices. [4] However, the advent of liberalization and globalization, entry of multinational corporation MNCs in Asian markets, rising consumer expectations towards business, and emergence of pressure groups have made the case of CSR stronger in Asian countries including Malaysia.[5]

In all organization for economic co-operation and development OECD countries, firms are making a lot of effort to be, or at least to appear, socially responsible. In 2005, for instance, 52% of the top 100 corporations in the 16 more industrialized countries published a report on their corporate and socially responsible Activities. In fact, since the late 1990s, many industrialized countries have adopted laws requiring firms (listed and/or non-listed) to publish reports detailing their exposure to environmental, social and governance risks and how they address these risks. [6] Researchers are advising corporations to consider the amount spent on CSR as investment than expenses. The corporations have also realized the multifaceted benefits of CSR and are paying great attention to incorporate in all spheres of business strategies. Corporations are using CSR to strengthen its relationships with different stakeholders including customers, investors, government, suppliers, and employees. These strengthened relationships ensure corporations minimum conflicts with stakeholders and maximum loyalty from all stakeholders. [7]

Infract CSR run-through had widely extent to all over the world including Malaysia. CSR has attracted a lot of attention in Malaysia recently. The Malaysian Prime Minister used CSR as part of his budget changes. Bursa Malaysia (the Malaysian stock exchange) has also set out an
II Context of the study- CSR in Malaysian Companies

Malaysia, a rapidly emerging country, the business atmosphere is typically categorized by influential business enterprises, a legal environment aimed at moral behaviors on the part of businesses, and societal prospects that businesses should be more ethical and socially responsible. Along with that, in developing countries the organizations need to be more reasonable, therefore, issues of customer service and satisfaction is of great importance. According to [9] they found that the indication of the relationship between (CSR) activities within companies and their performance. In relation to that, the purpose of this study is to explore the impact of CSR activities on company’s performance in Malaysia. Meanwhile, three elements of corporate social responsibility i.e. environmental, social and economic performance will be consider. [10]. With the view above it is all well understood and agreed that greater performance sincerity can be achieved with full company’s commitment in corporate social responsibilities practice.

In Malaysia, corporate Social Responsibility or CSR has attracted a lot of attention. The Malaysian Prime Minister used CSR as part of his budget changes. Bursa Malaysia (the Malaysian stock exchange) has also set out an ambitious framework for listed companies in Malaysia to take CSR more seriously. Companies involved in strategic CSR develop policies and programs in areas such as employee relations, community development, environmental stewardship, international relationships, marketplace fiscal responsibility and practices, accountability.[16] In Malaysia, the challenging is that there is no universal approach to CSR. Companies are free to adopt what suits them. However, there are some basic concepts that cut across all definitions and these should be considered in crafting a company’s CSR vision. [17] Perhaps in view of the fallout from giant companies’ scandals, image building appears to be a primary motivating factor for companies to involve with Corporate Social Responsibility (CSR) and one of the CSR facets is the corporate environmental Reporting. [18]

Today quite a number of publicly listed companies tend to view CSR as a strategic issue. Malaysian firms incorporate CSR into their corporate governance agenda to become good corporate citizens in the Malaysian capital market. [14] Study shows, in 2008, a new step was taken to integrate corporate social responsibility (CSR) into all the Carlsberg Group’s business operations in a more structured and systematic way and to formulate a common Group CSR strategy. Being part of the Carlsberg Group, Carlsberg Malaysia has adhered to and adapted the Group’s global CSR policies into the local context, simultaneously, complying with the CSR guidelines by Bursa Malaysia. As the fastest growing beer company, the Carlsberg Group is aware of its responsibilities to society and the business environment where its global companies operate in. The Group recognizes that while its global businesses continue to grow, the Group and its companies must ensure that the growth is achieved in a responsible way and based on a sustainable approach. [15]

The preceding discussions suggest that, this is the right time to pursue this study for three reasons. Hence, this study desired to know the company’s performance through the adoption of CSR activities for the development of the country as well.First to explores the current performance of CSR activities in Malaysian companies. Second, to know how much to determine as annual allocation for CSR activities among listed companies in Malaysian. Third, to analyst the relationship between CSR activities and financial performance.

IV Statement of research problem

To date, the concept of Corporate Social Responsibility (CSR) has grown to be an unconscious practice not entirely under the regulations of any official laws or legal bodies but more as a custom that an organization should practice and obey. However, for many organizations, it remains remarkably unfamiliar.

Corporate Social Responsibility (CSR) covers a wide spectrum and there is no compromise on the meaning of the term. It emerged from the need to address wrong corporate behavior concerning social issues or issues which do not directly impact on the business bottom line. Such matters include environmental, labour and human right abuse externally to the company mostly abuse occurring in developing countries. Corporate Social Responsibility was realized as the voluntary action businesses take to address these issues. Many related codes, guideline and initiative evolve and were adopted by corporations to prove they were dedicated to social responsibility. [12] In line with this corporate reputation, Governance and Ethics are headline issues associated with CSR that have made the news headlines in the last few years. Business Ethics, being a vital part of Modern Concept of CSR, which has been low profile in Business Publication and Business School Curriculum, has suddenly gained status. The word, "ETHICS" was once considered irrelevant by corporate loyalists but now
discussion of it is increasingly seen as not only important but also critical to a company’s success. [13]

The huge costs arising from the global financial crisis, which include the direct costs of support for the financial system, lost economic output, and increased Government debt, have rightly focused the world’s attention on the way that the financial system operates, and, as a key part of this, on how retail financial services are provided and used. [19]

Many corporate entities who supported the traditional school of thought consider any corporation’s business goal is to provide value and incentive to its shareholders. Therefore, profit-oriented corporations or organizations are not a charitable organization, although sometimes it is in their direct interest to support charitable activities. [20] Furthermore, sometimes corporations or organizations carry out certain activities that Governments should undertake. Not knowing that at the same time, companies are responsible for national Economic development by improving the quality of life of the whole workforce and their families as well. [21] The social impact of big and small corporations is becoming a very important issue in business administration. A “bad” social impact, in fact, could increase the firm’s risk, could lead to wrong relationships with many stakeholders and could affect corporate reputation. In most cases, the result is a decrease in firm’s value and, sometimes, the end of the corporation itself. [22]

Information from academic literature concerning whether CSR has any substantiated impact on firm performance in local companies may be one of the possible reasons why company’s disclose little of their CSR activities. [11] State those firms have incentives to engage in stakeholder management by undertaking socially responsible activities and that providing extensive and informative disclosures is one such practice. Therefore this study endeavors to fill the gaps in the empirical study of the impact of CSR on corporate performance.

[23] Argue that greater overall social output will be achieved by strategically choosing CSR projects than just following altruistic purposes. Perceptions and expectations of the Islamic banks and financial (IBF) institutions customers in relation to their opinions of the Malaysian IBFs’ CSR and sustainable compliancy and performance. The results suggested that the Malaysians CSR level of awareness in general was low and was affecting the Islamic banking industry as well. It was also reported that interestingly, despite the knowledge and awareness issues, majority of the Malaysians are prepared to move to an ethical and morally dimension of company system. [24]

The question now is that 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. [25] Base on the above observed problems this research work will answer two questions.

- To what extent do companies in Malaysia both local and foreign involve in CSR activities?
- Do the CSR activities contribute to the enhancement of Companies performance?

V Purpose or Objectives
1. To explore the current CSR activities among local and foreign companies under Bursa Malaysia.
2. To determine annual allocation for CSR activities among companies in Malaysia;
3. To analyst the relationship between CSR allocation and financial performance of the companies. and
4. To suggest best practice of CSR activities to be adopted by Malaysian companies

VI Scope/approach
The purpose of this paper is to investigate the impact of (CSR) on company’s performance, if it can somehow contribute to the economic development of the firm and the country as well. We will empirically investigate the current companies’ performance in Malaysia in relation to CSR activities, with three years analysis in Some Malaysian listed companies that realize Corporate Social Responsibility reports (e.g. environmental, economic and social reports). The study is restricted to one hundred (100) companies operating in Malaysia it encompasses both local and foreign companies. We will also look at the published annual report of these selected companies. Note only the activities of corporate social responsibility will be examined.

VII Research Design and Methodology
Research Design
This study is exclusively a descriptive research, it’s purely base on the information obtain from secondary data. This data will be obtained from the content analysis of company’s annual report and account for the year ended. It’s documented that annual report is the most widespread and acceptable document in both private and public own entity in the world.

Data and Sample Size
The sample size consists of the top 100 companies operating in Malaysia, which are listed in the main board of Bursa Malaysia during the period 2011 to 2013. The selection is based on their highest market capitalization
Data Processing and Analysis
The data will be processed and analyst using statistical package for social science (SPSS). Three data analysis will be performance; descriptive, anova and regression analysis.

REFERENCE


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