

CSR PRACTICES IN MALAYSIA: Trends and Development

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Abstract: 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 current global economic and recent US financial crisis had severely impacted the global economy which served a good reminder. The consequences of the crisis not only 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 repercussions would hinder social progress as people have to live below their means to cope with higher cost of living. Meantime, irresponsible corporations that contributed directly or indirectly to global warming continued to threaten people's living environment amidst of the above two issues.

Keywords: CSR

Introduction

The pressures of achieving sustainable development are coming from all directions within society as well. From shareholders demanding higher returns, employees asking for better welfare, customers looking for better quality products, to public expectation for more community, had indeed forcing businesses to fulfil their responsibility. Hence, immediate remedy

actions must be taken by all businesses to ensure the pillars of sustainable development is attained. 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 member 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 member countries.

The importance of CSR had become more eminent in the wake of natural disasters that befall on nations and cities. Earthquakes and floods of extreme scales not only plunged the economy but severed human lives with losses of life, homes and economic activities. Earthquakes severed China, Iran, Indonesia and more recently Nepal while Kelantan, a peninsular state of Malaysia witnessed the biggest flood in history on 25 of December 2014. The efforts and recovery programs to bring these cities and nations to their original situations will become unbearable without the support from the corporate community, hence, CSR is seen as the most importance element in recovery missions of natural disaster recoveries.

Corporate social responsibility is defined as the assumption of responsibility of companies whether voluntarily or by virtue of statute in discharging socio-economic obligations to society. Corporate social responsibility (CSR) practices have been recognized as an important requirement for successful organizations. According to the traditional theory of the firm, the only

responsibility of the firm is to maximize profits. By maximizing profits, companies are serving the interest of shareholders. However, the present entities of the companies go beyond the traditional shareholders, they include the buyers, competitors, suppliers, collaborators and regulators which form the stakeholders of the companies. By maximizing profits, companies are serving the best interest of the shareholders. The role of the company therefore is to provide a set of rules and regulations conducive to profit maximization by strengthening the profit motive within the framework. This is reinforced by the active role of stakeholders within the corporate governance system. Corporate social responsibility can be regarded as an excellent vehicle for demonstrating the multitude of diverse theoretical and ideological approaches to corporate governance. Approaches and systems of corporate social responsibility are intimately connected to economic and social structures and to political and cultural traditions of the society.

CSR in Malaysia

Corporate social responsibility was first introduced in Malaysia in 1963 when The Zoological Society of Malaysia received donations from the Federal Government of Malaysia, corporations and individuals for the establishment of National Zoo of Malaysia which was located in Hulu Klang, Kuala Lumpur. The first CSR practice by corporate body was recorded in Malaysia was in 1963 when Shell Malaysia organized Shell

Traffic Program in conjunction of World Children Day which introduced traffic education to school children. Almost concurrently other foreign companies also played active role in CSR such as Esso Malaysia Berhad and Kiwanis Malaysia, The Antah Group and The Plantation Companies. In the more recent cases, non-governmental organizations such as Darul Hijrah Foundation came forward to relieve households and communities by providing new homes to those affected with big flood that struck Kelantan in late December 2014. Apart from temporary shelters and permanent homes and some other forms of assistance were also given to these victims.

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 Malaysia n government played its leadership role in taking the initiative to ensure the country remains competitive both for local and foreign investors. While many years before, in 1977 the government introduced The Cabinet Committee on Salary and Service Regulations for better working condition, terms of employment and salary benefits for Malaysian Public Services, in 1998 post Asian crisis, the Malaysian Finance Committee on Corporate Governance (FCCG) was formed to handle the issues related to corporate transparency, accountability, and responsibility which therein extended to CSR. The establishment of this committee was in conjunction of the bad experiences encountered by investors in Malaysian Government

Linked Companies (GLCs) such as the Perwaja Steel, Transmile and MAS cases, to name a few of poor financial reporting transparency. A GLC is defined as accompany for which the government has the ability to appoint board members and senior management, and actively makes major decisions (ex- ample contract work awards, business strategy, restructuring, financing, acquisition and divestments) There three types of GLCs. In the first type, the Government of Malaysia exercise controls directly through Khazanah Nasional, the National Pension Fund, and the Central Bank of Malaysia. The second type are companies controlled indirectly by other federal government-linked agencies, through the Permadalan Nasional Berhad, the Employee Provident Fund, and Tabong Haji. The third type consists of companies where control is exercised through state agencies.

After too much frustration on many downsizing and voluntary separation scheme (VSS) in the banking industry, today employee dare to challenge their employers for fair dealing and better employee welfare through the Bank Union. The Malaysian consumers are also becoming more educated to express out their dissatisfaction through consumers associations like Consumer Association of Penang and NGOs. Upon experiencing from the past General Elections, the Malaysian public seems to realize their powerful “Rakyat Voice” in demanding more and better public amenities including schools, hospitals, infrastructures etc as part of their human rights. As for the environmental issues various

dedicated NGOs already being established to deal with specific issues. One of the latest examples is the proposed Lynas Plant in Kuantan Pahang which had been protested by NGOs such as Environmental Protection Association and Consumers Associations and Opposition Parties of Malaysia.

In 2006, the Putrajaya Committee on GLC High Performance (PCG) launched the GLC Transformation Manual namely a set of guidelines on how GLCs can contribute to society in a responsible manner and create a positive impact for their business and for society.

The seven core areas of contribution to society include the following:

1	Human rights-Supporting internationally proclaimed human rights
2	Employee welfare-implementing good employment practices for the benefit of employees
3	Customer service-Meeting customer need efficiently supplying goods and services through exceptional customer services
4	Supplier partnership-Working with business partners and suppliers to adopt socially responsible practices
5	Environmental protection-Protecting the environment by minimizing the environmental impact of business operation, products and services
6	Community involvement-Participating or leading in community development programs and providing selected universal to under-served or under-developed markets and communities
7	Ethical business behaviour-Promoting good behaviour practices and fair competition including working against corruption

As of December 2012, there were over 40 Government Linked Companies (GLCs) with a combined market value of approximately RM 250 billion, accounting for over 35 per cent of the market capitalization of Bursa Malaysia. In view of the above, it is clear that Malaysian companies and public had not ignored or

had taken CSR lightly. If they want to achieve greater success together with greater partners namely all the members of society, CSR must be adopted and become the embodiment of the company. This is because CSR involvement would improve the long term profitability, enhancement of corporate reputation and corporate goodwill.

In one of the study on the implementation of CSR in Malaysia in 2002, 97.5 % of the 198 respondents agreed that Malaysian companies are involved in CSR activities. This commitment has started since 1991 and it is clear that CSR is not new in Malaysia (Brian C W Lo and K L Yap, 2011). Similarly in 2008, another survey was carried out to collect the view of consumers in Malaysia towards CSR (Abd Rahim, R et al,2011). The nature and types of CSR activities generally implemented by corporations of Malaysia is referred in Table 1 below.

Table 1.0

	Areas of CSR in which Malaysian companies are involved	Respondents #193 (2008)	Yes 2001 #198 (%)
1	Employees' welfare (facilities and benefits)	103	91.8
2	Responsive to consumer complaints	103	82.9
3	Maintaining product/service quality to consumers	135	76.7
4	Ensuring product safety	135	62.3
5	Donations to welfare organizations	160	60.3
6	Provide guarantee policy to warranty provisions	101	52.1
7	Provide contribution for games and sports	70	35.6
8	Contribution to culture and literary works	143	34.9
9	Employment of handicapped individual		32.9
10	Contribution to educational institutions (other than research grants, e.g. scholarships or bursary)	145	24.7
11	Assistance in overcoming problems related to drug-abuse and alcoholism	150	21.2
12	Provide loans for low income housing		28.1
13	Provide loans to small enterprise		21.9
14	Contribution to public amenities (e.g bus stop shades)	165	19.9
15	Contribution to crime prevention	165	15.1

Literature Reviews of Corporate Social Responsibility

The importance of CSR in business organizations has increased significantly over the past 20 years. International CSR aims at understanding total commitment of an organization in global context. The concept of international CSR serves as the motivation for developing a global CSR framework for evaluating CSR practices within organizations and countries. The practices also affects from the national level to the international level which in return helps organizations compete internationally and hence gain a competitive edge in the global market.

CSR is about the integration of social, environment and economic considerations into decision making structures and processes of business. It is about using innovation to find creative and value added solutions to societal and environmental challenges. It is about engaging shareholders and other stakeholders and collaborating with them to more effectively manage potential risks and build credibility and thrust in society. It is about not only complying with law in a due diligent way but also about taking account of society's needs and finding more effective ways to satisfy existing and anticipated demands in order to build more sustainable businesses. Ultimately, it is about delivering improved shareholder and debtholder value, providing enhanced goods and services for customers, building trust and credibility in the society in which the business operates, and becoming more sustainable over the longer term.

In a seminal article, Carroll (1979) presented corporate social responsibility as construct that encompasses the economic, legal, ethical and discretionary expectations that society has of given point in time. In his definition, Carroll argued that these responsibilities are performed not only for the firm's sake but also for the sake of the society at large. This means that organisations by their own very existence can be viewed as entering into a social contract that obligates the corporation to take the interests of society into consideration when making decisions (Andreason & Drumwright, 2001)

Carroll proposed four levels of CSR: economic, legal, ethical and philanthropic responsibilities (1991). He defined economic responsibility as the expectation of the corporation to maximise its earning per share. Legal responsibility refers to obligation of obeying laws and regulations. Ethical responsibility as the responsibility of doing what is expected morally and ethically, whereas philanthropic responsibility refers to the charitable of the society for the corporation. Based on these four components, a socially responsible firm should strive to make profit, obey the law, be ethical, and be a good corporate citizen.

In Australia, Black (2001) presented an Australian model of CSR, where economic responsibility was the most preferred responsibility, followed by legal, philanthropic and ethical responsibility. In Malaysia, studies conducted by Tay (2005) described CSR as the ways corporations meet their obligations

towards employees as well as their wider communities. Salleh (2009) also found that companies are seen as responsible corporate citizens by their investors if they are engaged in CSR activities. Societies do not oppose corporations' intents to maximise their economic returns so long as they have fulfilled their role in environmental and social development of their community.

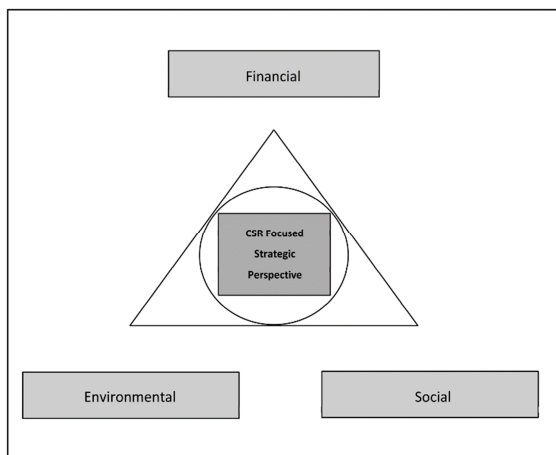
Mohr, Webb and Harris (2001) defined CSR as a corporation commitment in minimising or eliminating any harmful effects and maximising its long-run beneficial impact on society. The authors mentioned that socially responsible behaviours include a broad array of actions, such as behaving ethically, supporting the work of non-profit organisations, treating employees fairly and minimising damage to the environment. In other words, a socially responsible corporation would consider the effects of its actions towards all people directly or indirectly connected to the corporation.

In general, poor countries often put economic needs ahead of environmental control. That is poorer countries are likely to permit firms to externalize environmental, safety, or other costs onto society—a trade off made to gain or retain jobs. The poorer a country, the more desperate it is likely to be for jobs and the more willing it may be to allow firms to avoid costs such as pollution cleanup or worker safety. As societies develop and consumer and employee choices increase, however, the willingness to accommodate undesirable behaviour decreases.

Although many companies recognize the importance of being held publicly accountable for the consequences of operations, this realization does not always permeate the countless tactical decisions made by employees throughout the firms.

An example of an effective CSR audit and its implications come from the Gap. The 2003 launched of Gap's Social Responsibility's Report, which was well received by NGOs. More and more firms are incorporating CSR audit and the triple bottom line into their reporting process and since 1999 in the Netherland and 2002 in France, for example have mandated an evaluation of social and environmental risks as related to operations in their financial reports. Figure 1.0 shows the entirety of the CSR process. A firm that wants to be transparent and accountable to all stakeholders should expand the scope of its annual report to incorporate the triple bottom line, which measure a company's financial, environmental and social performance.

Figure 1.0: The Triple Border Line



Implementation of Corporate Social Responsibility in Malaysia

Official documents of CSR implementations were first recorded when Shell Malaya introduced Shell Traffic Games in conjunction with the celebration of World Children Day for school children in major towns in Malaysia in 1963. Similar CSR activities were carried out by Esso Corporation when they participated in social activities of the Kiwanis, an NGO that is involved with down-syndrome community. Central Electric Board which was established during British occupation in Malaya also extended their social benefits by providing financial assistance to the needy and Malayan Railway provide free trips to participants in the National and International Annual Quran Reciting event which began after independence in 1957.

A major development of CSR in government linked agencies took place when Federal Land Development Authority (FELDA) launched CSR in a big scale. This agency introduced Educational Fund to Staff, Staff Dependents and FELDA Settlers to enable those qualified staff and students to pursue further education in the country or overseas. This establishment of this fund is another milestone in FELDA's philanthropic activities, apart from the setting of Asrama Merak Kayangan (Settler's Students Hostel) for settlers' children pursuing education in towns and cities in Malaysia in early 1970s. In recognition of this philanthropic deeds, FELDA was awarded The Magsasay Award which is equivalent of The Noble Prize in 1980 .

As for modern time, Khazanah Nasional, an investment agency of the government, are committed to contribute to sustainable and equitable economic development to improve quality of life. The core values are economic viability, environmental responsibility and social accountability and these can be translated through diverse platforms such as community investment, governance, workplace, stakeholder management and accountability. This objective and aspiration which are in alignment with our stakeholders' expectation have inspired companies within the Khazanah Group to be involved in many projects of such nature.

In 2004, Khazanah Group remained an active corporate citizen by carrying out our social responsibility through programmes, which some of which are describe below.

Tsunami Relief Effort

Khazanah Nasional, Tabung Haji, Telekom Malaysia and the people of Malaysia jointly came forward in the aftermath of Tsunami that hit Aceh. Our thoughts and prayers are with the victims and survivors of this ravaging disaster.

The Commerce Group of companies donated in total RM 1.0 million cash in response to the initiative coordinated by Khazanah Nasional Berhad who spearhead the efforts to invite Malaysian Government Linked Companies (GLCs) and corporations to contribute to the Indonesian Tsunami Fund. Included in this donation is IDR 1.0 billion cash contributed by our

Indonesian subsidiary, PT Bank Niaga (PTBN). The donation from Commerce Group of companies was presented to the President of Indonesia by Malaysia's Prime Minister, Dato' Seri Abdullah Ahmad Badawi during his visit to Indonesia. On top of their significant contribution to the Commerce Group's total RM 1.0 million donation, our major subsidiaries, Bumiputra-Commerce Bank Berhad (BCB) and Commerce International Merchant Bank-ers Berhad (CIMB) have contributed RM 50,000 and RM 25,000 respectively to the domestic disaster fund. Meanwhile, Commerce Asset Ventures SdnBhd contributed RM 20,000 to University Sains Malaysia to set up a field laboratory for infectious disease in Banda Aceh.

PTBN has taken a more active part in their effort to respond to the tragedy in Aceh and North Sumatra. In addition to the cash donation mentioned earlier, PTBN assisted by opening Niaga Cares account to which people can transfer their donations. This effort is on-going until September 2005 and involves all employees, customers and the public. The fund collected will be used for reconstruction of destroyed educational facilities and infrastructure in the disaster affected area.

Cancer Research in Malaysia, by Malaysians, for Malaysia

Cancer is unfortunately a disease of increasing prevalence and millions have died every year from it. The establishment of Cancer Research Initiative Foundation (CARIF) in Malaysia was both timely and essential. CARIF is the first independent cancer

research unit established in Malaysia. Its mission is to conduct our country, which potentially far-reaching implications for diagnosis and therapy.

In support to this cause and in line with our aspiration to make a noble contribution to Malaysian society, Commerce Asset-Holding Berhad (CAHB) donated RM 10,000 during the year and has further pledged a fixed sum of donation over the next five years on an annual basis beginning 2005 to ensure continuous support to CARIF.

Say You Care with BCB Parentcare

Parents have always loved and cared for their children and there is no measure for such dedication. There are many ways to demonstrate our gratitude, love and responsibility to them and providing regular financial support on a monthly basis is one way. However such financial support may be threatened when an individual is seriously injured resulting in total permanent disability causing loss of earning, or in the event of the individual predeceasing the parent. Under such circumstances the aged parents often lose all means of financial support

BCB understands such predicaments and has taken a proactive approach to offer Malaysian with a remarkable solution through BCB ParentCare. Developed jointly with Commerce Life Assurance Berhad (Commerce Life), BCB ParentCare guarantees continuous monthly financial support as long as the parent lives even in the event of total permanent

disability of the individual or in the event that the individual predeceases the parent. This unique and carefully designed plan offer BCB's customers total security, well-being, comfort and a sense of peace. BCB also does not charge a fee for this service.

Formula One

For the fourth consecutive year, BCB continued its tradition to organize the "BCB Formula One Ticket Giveaway" contest for its five over million loyal customers. Since the Formula One was staged on our Malaysian shores in 1998, its exhilaration and excitement has been increasing over the years. Local F1 fans look forward to the fast-paced action and splendid manoeuvres on our world class event by promoting greater awareness and provided an opportunity for ordinary Malaysian to watch a world class sporting event which they otherwise would not afford. This year, 450 customers won two Hillside tickets and for the first time around, 10 lucky BCB credit card holders won two exclusive Garnett grandstand ticket worth RM 800 each. Indeed, the winners of this contest were in for a special treat as the 'C1' Hillside and Garnett grandstand areas are among the best seats to watch the race lie. In addition, the winners and their partners were given a goodie bag each on the race.

Caring For Less Fortunate

Malaysia is a plural society with different ethnics, races, cultures and religions. Despite this plural society, Malaysia is also

fortunate to have a caring community. One peculiar aspect of Malaysian Hospitality is to extend their joy and happiness to those who are fortunate. During the festive month of Ramadhan where Muslim observed fasting during the days, GLCs will normally organise The Breaking of Fast to children at the orphanage centres at famous hotels and restaurants nationwide. Telekom Malaysia, Media Prima, Tabung Haji and Permodalan Nasional Berhad are GLCs that are familiar in organizing these events.

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 in most large companies and many small one too”. The following Malaysian corporations commitment and activities engagement (Star, 2010) are evidences of Datuk Johan’s statement.

- 1) 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.
- 2) Chemical Company of Malaysia Bhd has incorporated CSR in their strategic business plan enables them to be see as a

good corporate citizen and environmentally responsible. They put CSR at the core of its business so as to achieve a long term benefits for the shareholders.

- 3) 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.
- 4) 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.
- 5) 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.
- 6) 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.

- 7) Some Malaysian companies emphasize on customers priority are Lafarge Malayan Cement and PutrajayaPerdana Bhd. They are more concerns in ensuring fair marketing practices, transparency and satisfying towards customer expectations.
- 8) Companies which focusing on recycling process and waste management are AlcomBhd, Tex Cycle Technology (M) Bhd, and Yeo HiapSeng (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 some- how 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).

Proposed CSR Practices in Malaysia

A key potential benefit from CSR initiatives involves the establishing the conditions that can contribute to increasing the commitment and motivation of employees to become innovative and productive. Companies that employ CSR related perspectives and tools tend to be businesses that provide the pre-conditions for increased loyalty and commitment from employees. These conditions can serve to help recruit employees to pursue learning to find innovative ways to not only reduce costs but to also spot and take advantage of new opportunities for maximizing benefits, reduce absenteeism, and translate into marginally less demands for higher wages.

A key feature of CSR involves the way that company engages, involves, and collaborates with its stakeholders including shareholders, employees, debt holders, suppliers, customers, communities, non-government organizations, and governments. To the extent that stakeholders engagement and collaboration involve maintaining an open dialogue, being prepared to form effective partnerships, and demonstrating transparency (through measuring, accounting, and reporting practices), the relationship

between business and the community in which it operates is likely to be more credible and trustworthy. This is a potentially important benefit for companies because it increases “their license to operate”, enhances their prospect to be supported in the longer term by the community, and improve their capacity to be more sustainable. Companies can use stakeholder engagement to externalize society’s needs, hopes, circumstances into their corporate views and decision making.

A potential benefit of CSR is that it can improve a company’s reputation and branding and this in turn improves the prospects for company to be more effective in the way that it manages communications and marketing in efforts to attract new customers and increase market share. CSR as a concept with various tools can help a company to position itself in the market place as a company that is more responsible and more sustainable than its competitors.

Business can use CSR and corporate sustainability to produce direct benefits from bottom line. For example operational efficiencies can be achieved through reducing energy and materials as input factors for production. Wastes can also be reduced and materials can be recycled. These sorts of actions from eco-efficiency can produce concurrent environmental and economic benefits for the company and thereby contribute to stronger financial performance and more positive profitability. Operational efficiencies can be achieved in other facets of CSR such as streamlining the way that information is provided to the

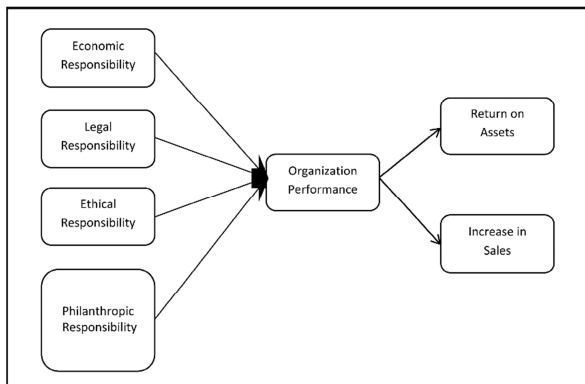
investment community as well as to other stakeholders that demand increased transparency. Managing potential risks and liabilities more effectively through CSR tools and perspectives can also reduce costs. Using corporate responsibility and sustainability approaches within business decision making can result not only reduced costs but also lead to recognizing new market opportunities such as when new manufacturing processes are developed that can be expanded to other plants, regions or markets.

Corporate social responsibility is an embodiment of social, environmental and economic thrusts of an organization. These are the pillars that company must always consider in the business decision-making structures and processes. The decision of when to implement a CSR policy is now becoming not just a strategic intent but of necessity. While acknowledging the complexity of the level of acceptance, differences among industries, CSR is about using innovation to find creative and value added solutions to societal and environmental challenges. Ultimately, CSR is about delivering improved shareholder and stakeholder value, providing excellent goods and services to customers and building trust and credibility in the society and community over sustainable period of time.

Though there are different views towards the relationship between social responsibility and profitability, Malaysian government increasingly focus on CSR certainly call for redefinition of the role of corporation in society. We present

aprospective frameworks for the implementation of CSR initiatives for the country businesses. The main thrust of these are economic responsibility, legal responsibility, ethical responsibility, and philanthropic responsibility have strong relationship with sustainability of corporation. This symbiosis is presented in Figure 2.0 below. As for guidelines of CSR Initiatives for companies in Malaysia, it is presented in the “the silver book”, published by the Putrajaya Committee for GLC (PCG)in September 2006. The framework contains guidelines for Government Linked Companies (GLC). Khazanah Nasional Berhad, a management authority for state investments has the responsibility for monitoring the GLCs implement CSR measures in accordance with the framework. The explanations of corporate CSR domains are presented below:

Figure 2.0 CSR and Sustainable Organizational Performance



Following the discussions in the earlier paragraph, there are four major thrusts of CSR initiatives that contribute to the

sustainability of corporation. The explanations are discussed below.

1. Economic Responsibility

Historically, the social responsibility of corporation is economic responsibility. In business institution, economic responsibility is the basic unit in a corporation (Carroll, 1979). To satisfy economic responsibility towards society, corporations, should provide goods and services that society wants at reasonable prices.

In addition, corporation have an economic responsibility towards themselves, that is, making profits, to be able to continue providing goods and services needs also need to pay their employees, and wants at reasonable prices. They also to pay their employees, increase value for their shareholders, and take care of the interests of other stakeholders (Carroll. 1979). Economic responsibility is seen as the basic obligation of corporations. According to McAlister, Ferrell, O. C and Farrell, L. (2003), the economy is influenced by the ways in which the corporation relates to its stakeholders, such as shareholders, employees, suppliers, competitors community, and even the natural environment. Economic responsibility lies in maximizing not only shareholders' interests but also other stakeholders' interests as well.

According to the research conducted by Maignan and Farrell (2004), in the U.S, claiming to be a socially responsible

organisation when the economic achievements are not the greatest can be dangerous. Maignan and Farrell (2004) which has been repeatedly accused of neglecting economic performance because of its many philanthropic activities.

2. Legal Responsibility

In carrying out their economic responsibility, corporations are expected work within the framework of laws and regulations as a partial fulfilment of the “social contract” between corporations and society Carroll (1991) stated that it is important for legal responsibility to be performed in a manner that is consistent with the expectations of governments and laws complying with the various federal, state and local regulations. A successful corporation should be recognised as one the fulfils its legal obligations.

Conchius (2006), on the other hand, stated that legal responsibility includes abiding by consumer and product laws, environmental laws and employment laws while also adhering to laws and regulations governing competition in the marketplace. However, legal responsibilities do not embrace the full range of behaviours expected of corporations by society. Laws are important, but they are often inadequate. First, they cannot possibly address all of the issues or areas that a corporation may face. Second, laws often lag behind more recent concepts of what is considered right behaviour, and third, law may represent the

personal interests and political motivations and legislators (Carroll, 1998).

3. Ethical Responsibility.

Although economic and legal responsibilities represent ethical standards concerning fairness and justice, ethical responsibility encompasses those activities and practices expected or prohibited by society that expand beyond the limitations of legal responsibilities. Ethical responsibility embodies those standards and expectations that reflect a concern for what consumers, employees, shareholders, and the community regard as fair, just, or in keeping with the respect or protection of stakeholders' moral rights (Carroll, 1979). This is confirmed by Creyer and Ross (1997), who conducted a survey on the parents of elementary school students to measure responses to the ethical behaviour of corporations. They found that most of the respondents expected corporations to carry out their businesses ethically. Some of the respondents even expressed that they were willing to pay higher prices for products of ethical corporations.

According to Carroll (1991), business performance can be determined by the corporation's consistency in promoting morale and ethical standards. If a corporation practises good corporate citizenship, the activities of the corporation are trusted. Ethical responsibility also recognises that corporate integrity and ethical behaviour

should go beyond the requirements of laws and regulations. Balancing economic, legal and ethical responsibilities is important. If the corporation does something that is appropriately economic and legal, it must also be appropriately ethical.

4. Philanthropic Responsibility.

Philanthropic responsibility refers to corporate actions that are in response to society's expectation of good corporate citizens. Corporate philanthropy is likely to enhance the image of corporation especially those that have high public visibility. Corporate philanthropy should also increase employee loyalty and improve customer ties. Philanthropic activities include business contributions in terms of financial resources of executive time, such as contributions to the arts, education, or communities.

According to Carroll (1991), it is important for managers and employees to participate in voluntary and charitable activities within their local communities, especially in projects that enhance a community's quality of life. The distinguishing characteristic between philanthropic and ethical responsibilities is that philanthropic responsibilities are not expected in an ethical or more sense. Philanthropy is located at the most voluntary and discretionary dimension of corporate responsibility and has not always been linked to profits or the ethical culture of the firm (Farrell, 2004).

Society desires corporations to contribute their money,

facilities and employee time to humanitarian programs or purposes, but society does not regard the corporation as unethical if they do not achieve the level of philanthropic responsibility. Although society wishes corporations to be philanthropic, it is voluntary on the part of corporations (Carroll, 1991). According to Fombrun, Gardberg and Barnett (2000), the case for philanthropy comes from two different sources strategic philanthropists argue that, although philanthropy may not generate direct economic returns, it will enhance the firm's long-term competitive position through intangible gains in reputation, legitimacy or employee loyalty.

Conclusion

This paper presents the origin, development and trends of CSR practices in Malaysia. Historically CSR has been introduced and implemented by multinational companies in Malaysia. Beginning from colonial reigned of the British Empire, Shell Corporation undertook major CSR activity by introducing Shell Traffic Games for School Children which was aimed in educating school children with traffic rules and regulation, given at that time the majority of school children either walked, cycled or took public buses to school.. Subsequently, Esso Incorporation, Central Electric Board, Malayan Railway followed suit. The plight of CSR is far reaching as it provides positive impact to society, especially after the Enron case, Asian Financial Crisis and US Financial Debacle. CSR is now view as positive

investment to society. So at the end of this paper we proposed a correlational model of CSR practices and firm's sustainability.[*]

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