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Impact of Corporate Social Responsibility on Malaysian Corporations Reputation

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ABSTRACT

Background: Multinational corporations (MNC) are observed becoming more dominant and powerful than ever before because of it is wide expansion all over the world. Corporations such as Exxon Mobil, Wal-Mart, and Pepsi have entities all over the world; offering jobs and providing products on a global scale. Without doubt, their processes impact on society to a larger extent and their strategic decisions are therefore more likely to affect many countries instantaneously. Accordingly, corporations like these are often referred to as Global Citizens. Corporate Social Responsibility (CSR) has been getting much concern recently from many administrations. Well-defined as "the constant promise of business to behave ethically and subsidize to the economic improvement meanwhile developing the quality of life of the employees, their relations, the local communal and society at large" (Holme and Watts, 2000). It has been known as a source of maintainable improvement (Brammer and Pavellin 2006) and has converted an emerging imperative as described by Baladi (2011). To sum it up, CSR can no longer be something complementary or momentary. **Objective:** 1. To identify the social responsibilities (Philanthropic, Legal, Ethical and Economic) of Malaysian business organization. 2. To find the relationship amongst social responsibilities (Philanthropic, Legal, Ethical and Economic) and corporate reputation of Malaysian business organizations. However this study aims to examine whether this research will give us similar outcome in Malaysia as compared to the research achieved by Carroll (1979) in USA, who found legal concerns to be the most essential responsibility of corporations, tracked by ethical, philanthropic and economic responsibilities, and according to Visser (2005) who studied the situation in Africa, found that economic responsibility was the most favored responsibility, and tracked by philanthropic, legal and ethical responsibilities. **Results:** From the outcomes obtained, philanthropic responsibility feature has the most important influence on corporate reputation because it has the highest correlation rate, tracked by economic responsibility, ethical responsibility and, lastly, legal responsibility. Based on the outcomes obtained, the classification of components from Malaysian viewpoint seemed to be marginally diverse with the original Carroll's conceptualization of CSR. As the findings recommend that the CSR components have a significant and important relationship with corporate reputation. Even though it has been made compulsory for the public listed corporations in Malaysia to release at least a statement on their CSR activities starting from the financial year end 2007, not much has been done to address the CSR activities release on other kinds of business assets. **Conclusion:** Throughout the research it is noted that most of the respondents were familiar with the term corporate social responsibility and some had no idea. Outcomes of the study more specified that business organizations can obtain financial and non-financial benefits from successfully applying CSR efforts for the significant stakeholders. Conversely, it was experiential that executives of the corporate organizations can obtain benefits such as improve corporate reputation by applying CSR. The study distinguished that there is a positive relationship between CSR activities such as philanthropic responsibility, legal responsibilities, ethical responsibility and economical responsibility with Malaysian corporate reputation. Lastly the study proved that Malaysia has it is own model states that philanthropic concerns to be the most essential responsibility of corporations, tracked by economic, ethical and legal responsibilities.

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INTRODUCTION

Corporate social responsibility does not only embrace what businesses do with their profits, but also in what way they make them, it goes beyond philanthropy and obedience. It addresses how businesses cope their

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economic, social and environmental impressions as well as their relationships in all ranges of influence such as the workplace, the marketplace, the supply chain, the community and public policy as described by the Centre for Business and Government of the Kennedy School of Government at Harvard University also explained by Davis, (1999) as businessmen's choices and actions taken for reasons partially beyond the company's direct economic or methodological interest. Entrepreneurs should supervise the economic system which fulfills the prospects of the public, and this elaborates that in turn the economy's means of production should be employed in such a way that production and distribution enhance total socio-economic welfare as explained by Fredrick, (1988). Carroll (1979) considered CSR obligations toward society into four core groups, which he constructed into a CSR pyramid comprising four coatings of responsibilities: philanthropic, ethical, legal, and economic ones.

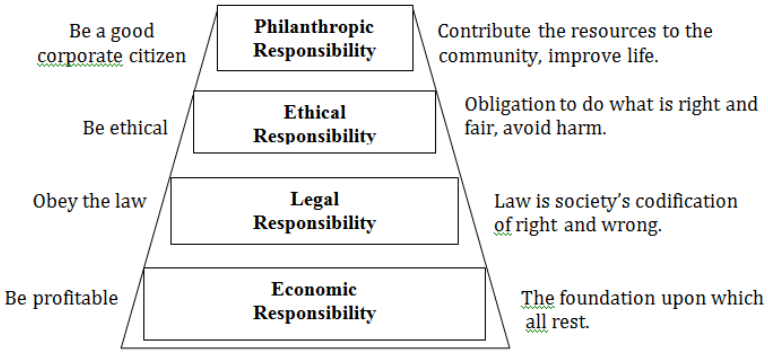

Fig. 1: Carroll's four-part model of (CSR).

Corporate reputation is a universal, overall and temporary steady evaluative decision about a corporation which is shared by numerous stakeholders, Friedman (1998). As well as defined as long term intangible business asset or liability which is vital for organizational competitiveness. As clarified by Chang, (2006) explained that a company reputation is closely tied up to the emotional belief of its numerous stakeholders. Reputation is a mixture of certainty such as economic, social presentation and insight such as performance perceived by key stakeholders as explained by Roberts, (2002). A better reputation can lead to purchaser preference in making business with the corporation when other businesses goods and services are obtainable at a similar amount and quality. A better reputation can permit the corporation to charge premium for its produces. Consequently taking a good reputation can improve stakeholder's loyalty and funding.

Methodology:

Sampling Design:

The ever increasing demand for research has created a need for an efficient method of determining the sample size. Nowadays, sample size calculator was used in order to determine the sample sizes. Two important terms need to know before using the sample size calculator are confidence interval and confidence level. Confidence interval or margin error is the plus- or-minus figure. The wider the confidence interval, the more certain that the whole population answers would be within that range and normally 6% is the common choice. On the other hand, confidence level tells you how sure you can be. It is usually expressed as a percentage and represents how often the true percentage of the population who would pick up an answer lies within the confidence interval. Nowadays, researchers prefer to use 95% confidence level which means it can be 95% certain. With 95% confidence level, confidence interval of 6 and 1,801,378 employees in Klang Valley comprising Kuala Lumpur and its adjacent districts in Selangor, Malaysia based on the Ministry of Federal Territories statistics; the sample size required is 157 employees. The values of the confidence level and confidence interval were subjective.

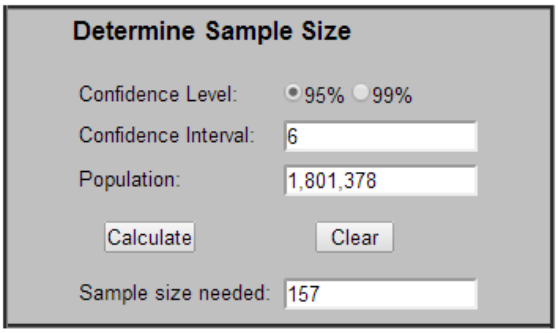

Fig. 2: Sample size calculator.

Figure 2: shows the sample size calculator software (http://www.surveysystem.com/sscalc.htm#one). With 95% confidence level, confidence interval of 6 and 1,801,378 employees in Klang Valley comprising Kuala Lumpur and its adjacent districts in Selangor, Malaysia based on the Ministry of Federal Territories statistics; the sample size required is 157 employees. The values of the confidence level and confidence interval were subjective.

SPSS analysis:

The data analysis will be conducted through "Statistical Package for Social Science" software or SPSS version 20. The research as will investigate reliability of the instrument, therefore it is enabled to produce robust and valid results (which ranged at 0.05 or even higher).

The questionnaire were divided into three parts as Part A, Part B and Part C. Part A assesses the demographic information like gender, age, occupation and nature of organization. Part B aims to show the level of understanding with each of the following statements regarding CSR on Malaysian reputation. Hence, the employees in this study have to reply to the statement according to the importance attribute of each statement to the corporation reputation. Lastly, Part C will indicate the level of agreement with the statements mentioned for each employee in relation to his corporation.

Part A: Demographic Information:

Table 1: Frequency distribution of respondents with the Gender.

		Frequency	Percent
Valid	Male	68	43.3
	Female	89	56.7
	Total	157	100.0

Table 2: Frequency distribution of respondents with the age.

		Frequency	Percent
Valid	21-30yrs	49	31.2
	31-40yrs	82	52.3
	41-50yrs	26	16.5
	Total	157	100.0

Table 3: Frequency of race.

		Frequency	Percent
Valid	Chinese	65	41.4
	Indian	29	18.5
	Malay	49	31.2
	Others	14	8.9
	Total	157	100.0

Table 4: Frequency of monthly income.

		Frequency	Percent
Valid	RM1,500-2,500	14	8.9
	RM2,500-3500	33	21.1
	RM3,500-4,500	58	36.9
	RM4,000-5,000	35	22.3
	RM5,000- above	17	10.8
	Total	157	100.0

Table 5: Frequency of Occupation.

		Frequency	Percent
Valid	Students	13	8.3
	Supervisors	33	21.0
	Executives	44	28.0
	Managers	40	25.5
	Others	27	17.2
	Total	157	100.0

Table 6: Frequency of Religion.

		Frequency	Percent
Valid	Buddhist	39	24.8
	Christian	44	28.0
	Moslems	52	33.1
	Others	22	14.1
	Total	157	100.0

Table 7: Frequency of the nature of Organization.

		Frequency	Percent
Valid	Private sector	62	39.5
	Public sector	85	54.1
	Others	10	6.4
	Total	157	100.0

Part B:

Aims to show the level of understanding with each of the following statements regarding CSR on Malaysian reputation. Hence, the employees in this study have to reply to the statement according to the importance attribute of each statement to the corporation reputation.

Table 8: Philanthropic Responsibility.

Philanthropic Responsibility										
Statements	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree	
	N	(%)	N	(%)	N	(%)	N	(%)	N	(%)
1: Corporation contributing assistance to the community.	15	9.5	39	24.8	22	14.0	43	27.4	38	24.3
2: Socially responsible corporation that strive to provide for betterment of the community.	8	5.1	19	12.1	38	24.2	59	37.6	33	21.0
3: Developing solutions on work and life balance for employees.	14	8.9	29	18.5	52	33.1	42	26.7	20	12.7
4: Assistance to private and public educational institutions.	15	9.6	27	17.2	43	27.4	44	28.0	28	17.8
5: Contributing to campaign and project.	11	7	17	10.8	39	24.8	68	43.3	22	14.0
6: Participating in voluntary and charitable activities.	14	8.9	29	18.5	52	33.1	42	26.7	20	12.7

Table 9: Legal Responsibility.

Legal Responsibility										
Statements	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree	
	N	(%)	N	(%)	N	(%)	N	(%)	N	(%)
1: Taking account of collaborators in decision making.	9	5.7	16	10.2	40	25.5	77	49	15	9.5
2: Operating strictly within the legal framework of the society.	15	9.5	26	16.6	40	25.5	70	44.6	6	3.8
3: Performing in a manner consistent with expectations of the government and law.	11	7	17	10.8	39	24.8	68	43.3	22	14.0
4: Providing goods and services that at least meet the minimal legal requirements.	15	9.5	39	24.8	22	14.0	43	27.4	38	24.2
5: Obeying the law stated by the government.	15	9.5	27	17.2	43	27.4	44	28.0	28	17.8
6: High level of legal awareness of the business.	7	4.4	34	21.6	61	38.8	36	22.9	19	12.1

Table 10: Ethical Responsibility.

Ethical Responsibility										
Statements	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree	
	N	(%)	N	(%)	N	(%)	N	(%)	N	(%)
1: Corporation showing concern to employees.	15	9.5	39	24.8	22	14.0	43	27.4	38	24.2
2: Developing solutions on life balance for employees.	14	8.9	29	18.5	52	38.1	42	26.7	20	12.7
3: Corporation ensuring the production of high quality product.	6	3.8	3	1.9	31	19.7	108	68.8	9	5.7
4: Corporation sponsoring of education and cultural activities.	15	9.5	39	24.8	22	14.0	43	27.4	38	24.2
5: Corporation conducting business transactions in an ethically, fair and just.	11	7	17	10.8	39	24.8	68	43.3	22	14.0
6: Corporation that prevent ethical norms from being compromised.	15	9.5	27	17.2	43	27.4	44	28	28	17.8

Table 11: Economic Responsibility.

Economic Responsibility										
Statements	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree	
	N	(%)	N	(%)	N	(%)	N	(%)	N	(%)
1: Corporation performing in a manner consistent with maximizing of profit.	12	7.6	18	11.5	40	25.5	65	41.4	22	14
2: Corporation being profitable as possible.	13	8.3	24	15.3	50	31.8	38	24.2	12	7.6
3: Maintain high level of operating efficiencies.	6	3.8	17	10.8	44	28	76	48.4	14	8.9
4: Corporation maintain strong competitive position.	15	9.5	39	24.8	22	14.0	43	27.4	38	24.2
5: Successful firm be defined as one that is consistently profitable.	15	9.5	26	16.6	40	25.5	70	44.6	6	3.8
6: Corporation that minimise costs and maximise profits.	14	8.9	29	18.5	52	33.1	42	26.7	20	8

***Part C*:**

It will indicate the level of agreement with the statements mentioned for each employee in relation to his corporation.

Table12: Corporate Reputation.

Corporate Reputation										
Statements	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree	
	N	(%)	N	(%)	N	(%)	N	(%)	N	(%)
1: I respect and admire this organisation.	6	3.8	11	7.0	4	2.5	135	86	1	0.6
2: I have a good feeling about this organization.	6	3.8	18	11.5	32	20.4	99	63	2	1.3
3: It offers high quality products and services.	5	3.1	18	11.5	46	29.3	85	54.14	3	1.9
4: It develops innovative products and services.	6	3.8	20	12.7	48	30.6	80	50.9	2	1.3
5: It offers products and services that has good value for money.	5	3.2	18	11.5	42	26.7	85	54.1	7	4.4
6: It recognizes and takes advantage of market opportunities.	6	3.8	24	15.3	50	31.8	73	46.5	4	2.5

Reliability Test:

It is an important issue to test the reliability of the survey because it demonstrates how reliable a measuring instrument measures the concept that is being measured. By referring to Sekaran and Bougie (2010), the minimal level of Cronbach's Alpha coefficient to be accepted should be 0.70 where the higher value signifies higher reliability.

Table 13: Reliability Test.

Variables	**CRONBACH'S ALPHA**	**Number of Items**
Philanthropic	0.728	6
Legal	0.720	6
Ethical	0.750	6
Economical	0.710	6
Corporate Reputation	0.923	6

Table 14: indicates that there are important and positive relationship between the independent variables "philanthropic, legal, ethical, economical" and Corporate Reputation. Based on the outcomes philanthropic has the strongest relationship with the dependent variable "corporate reputation" tracked by economic, ethical and legal. The relationship between philanthropic and Corporate Reputation is (r=0.902) meaning to say that philanthropic has a high relationship to Corporate Reputation similar with the economic (r = 0.827), ethical (r = 0.790) and legal has a moderate relationship (r = 0.575). Consequently the outcomes indicate that all the measurements are extremely correlated and significant with each another. Also, the outcomes prove that the corporate social responsibilities have a significant relationship with corporate reputation.

Table 14: Pilot Test Outcomes (Reliability Statistics).

Variables	TP	TL	TE	TEC	TCR
TP	1				
TL	0.891	1			
TE	0.883	0.828	1		
TEC	0.805	0.766	0.865	1	
TCR	0.902	0.575	0.790	0.827	1

Hypothesis Test:

There are four hypothesis to be tested using Pearson Correlation coefficient Analysis. Through this research, the hypothesis will be accepted if ($p \leq 0.05$) and rejected if ($p > 0.05$).

Table 15: Hypothesis Test.

Hypothesis	Test	Outcomes	Summary
(H1) There is a positive relationship between philanthropic and corporate reputation.	Pearson Correlation	r = 0.902 p = 0.000	H1 was accepted
(H2) There is a positive relationship between legal and corporate reputation.	Pearson Correlation	r = 0.575 p =0.000	H2 was accepted
(H3) There is a positive relationship between ethical and corporate reputation.	Pearson Correlation	r= 0.790 p = 0.000	H3 was accepted
(H4) There is a positive relationship between economic and corporate reputation.	Pearson Correlation	r= 0.827 p =0.000	H4 was accepted

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