

A CASE STUDY ON  
CORPORATE SOCIAL RESPONSIBILITY PRACTICES  
AMONGST SELECTED PRIVATE ACADEMIC INSTITUTIONS  
IN MALAYSIA

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PROJECT PAPER SUBMITTED TO THE SCHOOL OF  
MANAGEMENT, ASIA e UNIVERSITY  
IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE  
DEGREE OF MASTER IN MANAGEMENT

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**Prepared by;**

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## **ABSTRACT**

### **A CASE STUDY ON CORPORATE SOCIAL RESPONSIBILITY PRACTICES AMONGST SELECTED PRIVATE ACADEMIC INSTITUTIONS IN MALAYSIA**

Corporate Social Responsibility (CSR) has emerged as a form of sustainability governance with advantages to the economic, environment and social progress. CSR is believed to have a significant influence on corporate sustainability.

With the increasing awareness and global demand for better CSR practices, companies should recognize and adopt them into their management practices. The element of CSR becomes very important since it could cover all aspects of management. It depends on how the organisation wants to integrate it to the business plan. The corporate responsibility should begin from internal practices or in the organisation before translated it to external parties such as social and environmental concern.

Many companies are implementing the CSR including the academic institutions. Universities can make the expectations of students and stakeholders by adopting a well-conceived CSR strategy in the same manner as other business practices. The elements of marketplace, workplace, community and environment should be prioritized for the basis of the strategic planning of the business. The same principles of strategic management should be applied to incorporating the CSR as part of the competitive advantage

. In this study, the Sunway University, Masterskills University College of Health Sciences, Open University Malaysia and Asia e University have been selected as samples to study. They have actively involved in social contribution activities as a part of their CSR initiatives. How they define the CSR and how

they understanding on it concept? Are the practices at the academic institutions are aligned with the CSR framework as guided by Bursa Malaysia?

Therefore, this project paper aims to analyse the extent of CSR practices among selected private academic institutions in Malaysia, the types of activities conducted, application of the CSR framework, similarities and differences of the activities conducted.

This study found that all CSR activities carried out according to the element of the CSR framework. There are some common activities, similarities and differences of the activities conducted.



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## DECLARATION

This declaration is to clarify that all of the submitted contents of this project paper are original in its figure, excluding those, have been admitted specifically in the references. All the work processes involved are from my own ideas and creativity.

All contents of this project paper have been submitted as a part of partial fulfilment of Master in Management, Asia e University.

I hereby declare that this project is my original work excluded for the references documents that have been acknowledged.



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## **CHAPTER 1: INTRODUCTION**

### **1.1 Background of study**

Corporate social responsibility (CSR) is also known as corporate responsibility, corporate citizenship, responsible business and corporate social performance. It is a mechanism for company to be responsible and to contribute to the society, workplace, community and environment.

CSR as defined by European Commission (2001) is “a concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis”. It is defined by Bursa Malaysia as “an open and transparent business practices that are based on ethical values and respect for the marketplace, workplace, the environment and community”. According to Bursa Malaysia, it is not only about how the firm spends money for the contributions, but it is also about how the firm makes money from it. Bursa Malaysia had produced a framework of CSR practices for companies in Malaysia which it can be as guidelines for them. Overall, CSR is about corporate activities carried out to show their responsibilities to their community including employees, stakeholders, social and environment and it could benefits the organisation through the initiatives.

CSR Policy functions as a built-in, self-regulating mechanism whereby business monitors and ensures its active compliance with the spirit of the law, ethical standards, and international norms. The goal of CSR is to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, customers, employees, communities, stakeholders and all other members of the public sphere.

CSR is believed to have a significant influence on corporate sustainability. In the business context, CSR has emerged as a form of sustainability governance with advantages to the economic, environment and social progress. In terms of corporate governance through policy implementation,



CSR can be practiced in a strategic manner with better understanding. CSR policy framework can be designed using a mixture of regulations, economic instruments and communication strategies which significantly affects the environmental and social impacts from corporate activities. This might influence the level of corporate sustainability. Furthermore, CSR-focused businesses would proactively promote the public interest by encouraging community growth and development, and voluntarily eliminating practices that harm the public sphere, regardless of legality.

In developing country like Malaysia, the importance of CSR has been recognised by most corporations and public agencies in order to ensure long-term corporate sustainability or organisation's success. CSR can be adopted within company or organisation's policies, strategies, programmes and commitments towards social and environment.

The effort to nurture good CSR practices begins with the company. At the start, companies should adopt a mission statement, code of conduct or credo where they state socially responsible purpose, core values and responsibilities to the stakeholders. These strategic objectives must be effectively translated into tactical plans, such as adding social and environmental dimensions in plans and budget. Companies can also consider carrying out environmental audits and setting up continuous training programs for their employees.

With the increasing awareness and global demand for better CSR practices, companies should recognize and adopt them into their management practices. The element of CSR becomes very important since it could cover all aspects of management. It depends on how the organisation wants to integrate it to the business plan. The corporate responsibility should begin from internal practices or in the organisation before translated it to external parties such as social and environmental concern.

The extent of CSR practices varies among corporate organisations. According Chamhuri Siwar and Siti Haslina (2008), larger and established

organisations tend to demonstrate more CSR activities rather than smaller organisation. The understanding of CSR and its benefits to the companies are also consider low in Malaysia as reported by them and supported by studies done by ACCA Malaysia. It shows that the companies implementing the CSR initiatives because it is part of charitable efforts, volunteerism and social contributions. They are not looking on the impacts to their stakeholders, branding, corporate sustainability, employee's satisfaction, organisation's culture and many more.

This study focus on CSR practices in education industries in Malaysia. With the rapid challenges and becoming more competitive business, education industry is moving forward to the CSR practices towards its business competitiveness. How the CSR practices could impact the workplace, marketplace, society and environment? The study is looking on the CSR practices at four selected academic institutions which of two are considered successfully implemented and the other two institutions are embarking into the initiatives.

This study also looks on similarities and differences of the initiatives taken by the academic institutions. Even in the same business sector, is there any similarity and differences focus on the elements of CSR and it activities? How the education institutions implementing the CSR? How serious they are and how the initiatives could benefit them?

## **1.2 CSR Practices in Malaysia**

The Malaysia government recognizes the importance of long term CSR and its sustainable development, not only to generate stronger economic growth but also promote a more balanced growth which incorporates the social and environmental dimensions of development. The government has been consistently encouraging corporate to practice good corporate citizenship and place appropriate emphasis on CSR issues, in particular efforts at improving the quality of life, such as pollution and environmental degradation, health protection and safety; as well as environmental protection, including combating deforestation, managing fragile ecosystems and managing land resources. All these will contribute to further accelerating Malaysia's implementation of Agenda 21 of the United Nations Program for Action for Sustainable Development.

Malaysia has made commendable progress in many of these areas. There are several instances where the private sector and government agencies, along with NGOs, have worked together for the betterment of the environment and social contributions. Initiatives like the Tree Planting Group and the Prime Minister's Hibiscus Award are testimony to these collaborations. Our corporate sector has given continuous support to environmental awareness efforts by participating and extending contributions towards programs like the Environmental Education and Awareness Trust Fund. Responsible enterprises have also supported environmental-related initiatives like the Beautification of Schools program and the Environmental Journalism Award.

Besides these progressive efforts on the environmental front, Malaysia has also made significant advancements in the area of corporate governance reforms. Concerted efforts have been taken to establish a strong foundation for CSR strategy and implementation with the Malaysian Code on Corporate Governance. Corporate governance and CSR do have much in common. While better Governance practices address the concerns of shareholders, good CSR addresses the concerns of all stakeholders, including the shareholders. Some aspects of CSR, such as energy conservation or recycling, can cut cost and

increase profits while others may be seen in terms of risk management, another area of focus of our corporate governance reforms.

In addition, Malaysia has also been active in nurturing the principle of Socially Responsible Investment or SRI. In 2003, Malaysia had witnessed the birth of two ethical or SRI funds. The focus of these funds is to invest in companies which are profitable and, at the same time, are not involved in undesirable businesses such as liquor and gambling while having socially accepted practices, such as good corporate governance and are environmentally-friendly. These funds have been collaborating closely with various NGOs to advise them on ethical issues as well as having a special advisory board to guide fund managers on topics such as corporate governance, social responsibility and environmental protection

### **1.3 CSR Practices at Education Industries**

The education institutions especially the Universities often looked upon to take a leadership role within societies. They are expected to lead by example whether through advanced research or by extending the bounds of justice on a global scale. Meanwhile, a societal trend that has been gathering momentum over the past couple of decades or so is the significant role of CSR.

Universities can choose to be followers, or to seize the opportunity to be leaders and adopt CSR a vital aspect of a competitive advantage. A recent academic article on CSR suggests that universities can lead in the practices of CSR in two ways<sup>1</sup>. First, universities should promote a true culture of CSR throughout their organizations. Second, universities should develop social marketing actions in order to better communicate and interact with stakeholders. The development of a vibrant CSR culture will foster the build-up of human and social capital with the organization.

In today's challenges in the education industry especially managing the university, customers are highly demanding and the business is highly

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<sup>1</sup> <http://mpira.ub.uni-muenchen.de/2954/>

competitive. The focus are not only to deliver the graduates and produce research and publications, it is about managing the intellectual resources, capitalise the intellectual properties, intellectual investment, social business, innovation and contributions to societies and to global demand.

Universities can make the expectations of the customers and stakeholders by adopting a well-conceived CSR strategy in the same manner as other business practices. The elements of marketplace, workplace, community and environment should be prioritized for the basis of the strategic planning of the business. The same principles of strategic management should be applied to incorporating the CSR as part of the competitive advantage: formulation, implementation and evaluation. According to YBhg. Dato' Sri Najib Tun Razak, Prime Minister of Malaysia, "It is clear that we need to move up the CSR initiatives be part of business agenda and embed it into the DNA of every company. This presents an enormous challenge, as well as huge opportunity to get things right from the start<sup>2</sup>".

A key element of a university is to craft an overall strategy and then determine the various categories to be measured and then develop benchmarking capabilities. A strategic action plan will enhance the university's performance potential. A strategic plan will also embrace transparency and indicate to stakeholders that specific steps are being taken to address the social concerns. Universities have an opportunity to embrace the concerns of their stakeholders, such as students and business supporters, and to lead in responding in the realm of practising and communicating CSR.

As part of business organisation, private universities should realize that it is a competitive market in terms of creating an ongoing stream of satisfied students, alumni, attracting new students and addressing the concerns of business supporters. The CSR agenda could be an important element for them to foster the corporate sustainability.

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<sup>2</sup>BERNAMA (2010). PM Urges Business To Give Back To Society. cited from online sources at <http://www.pmo.gov.my>, 9 march 2010

#### **1.4 Problem Statement**

Today, many companies implementing the CSR agenda including the academic institutions. CSR has emerged as a form of sustainability governance with advantages to the economic, environment and social progress. According to a study by ACCA Malaysia in 2004, there was only 43% of companies had reported to some extent in the social contribution, while 26% were pending to do so in future and most CSR commitment was expressed in terms of charity (Mallenbaker.net 2006). This shows that current awareness on CSR has increased among organisations in Malaysia.

For the private academic institutions, they have been actively conducted the social contribution activities and they claimed that are part of their CSR initiatives. How they define the CSR and how they understanding on it concept? Are the practices at the academic institutions are aligned with the CSR framework as guided by Bursa Malaysia?

Therefore, this project paper aims to analyse the extent of CSR practices among selected private academic institutions in Malaysia, the types of activities conducted, application of the CSR framework, similarities and differences of the activities conducted.



## 1.5 Objectives of the study



Source from Google images

The objectives of the study are;

1. To understand the concept of CSR as understood by industry players.
2. To explore extent of CSR practices among selected private academic institutions in Malaysia.
3. To understand the application of Bursa Malaysia CSR Framework on the CSR practices.
4. To make conclusion and recommendation on the best practices of CSR for academic institutions in Malaysia.

## **1.6 Significance of study**

Being one of the competitive industries in Malaysia, education service sector is getting challenging and demanding. The business is not only focusing on development of the academic programs, managing the resources and producing graduates, the business is in wider perspective. The balancing of the business strategy and social responsibility is very important to ensure the academic institution is not becoming only a profit making business, but it much more as corporate responsibility to the society. This study would look into the CSR practices and how it could benefits the workplace, marketplace, society and environment.

This study would provide an overview of CSR as it is being understood and practices among selected private institutions in Malaysia. By study on the types of activities conducted, it would give overview on common CSR activities conducted and it could identify the factors and reasons why the academic institutions are conducted that several common activities. They will be similarities and differences on their focus of the CSR elements.

Furthermore, the finding of this study also would provide a critical assessment of how much the CSR contributes or benefits to the workplace, marketplace, society and environment as stated in the Bursa Malaysia CSR Framework for companies in Malaysia.

## CHAPTER 2: LITERATURE REVIEW

### 2.1 CSR Definition and its History

The term "corporate social responsibility" came in to common use in the late 1960s and early 1970s, after many multinational corporations formed. The term stakeholder, meaning those on whom an organization's activities have an impact, was used to describe corporate owners beyond shareholders as a result of an influential book by R. Edward Freeman, *Strategic Management: A Stakeholder Approach* in 1984. Proponents argue that corporations make more long term profits by operating with a perspective, while critics argue that CSR distracts from the economic role of businesses.

The earlier reference addressing specifically social auditing was around the early 1960s in a book by G Goyder called "The Responsible Company". Goyder referred to various activities in the mid and late 1950s and suggested that social audit could provide a management tool and could offer stakeholders a platform for challenging and influencing companies.

Opposition to the notion that companies have social responsibilities has been prevalent on the grounds that it will divert attention from the primary economic objectives. In 1962 Milton Friedman stated that "Few trends could be thoroughly undermining the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible."

In Europe, the concept and framework of CSR has been established by the European Union in relation to promote the CSR to the business society and environment. CSR refers to the "firm's consideration of, and response to, issue beyond the narrow economic, technical and legal requirements of the firm .... (to) accomplish social benefits along with the traditional economic gains which the firms seeks."(Husted 2003).

CSR as defined by European Commission (2001) is “a concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis” following increasingly aware that responsible behaviour leads to sustainable business success. CSR is about managing change at company level in a socially responsibility manner which can be viewed in two different dimensions;

- a) Internal – socially responsible practices that mainly deal with employees and related to issue such as investing in human capital, health and safety and management change, while environmentally responsible practices related mainly to the management of natural resources and its usage in production.
- b) External – CSR beyond the company into the local community and involves a wide range of stakeholders such as business partners, suppliers, customers, public authorities and NGOs that representing local communities as well as environment.

As a conclusion, CSR can be seen as corporate responsibility to their community including stakeholders, social and environment. However, the scale and nature of the benefits of CSR for an organization can vary depending on the nature of the business, and are difficult to quantify, though there is a large body of literature exhorting business to adopt measures beyond financial ones.

## **2.2 CSR Theories**

Early theoretical work specifically addressing corporate social responsibilities is represented by Sethi who developed a three tier model for classifying corporate behaviour which he labelled corporate social performance”. The three stated of corporate behaviour are based on;

- a) Social obligation (response to legal and market constrains);

- b) Social responsibility (addressing social norms, values and expectations of performance);
- c) Social responsiveness (anticipatory and preventive adaptation to social needs).

Sethi's second tier requires that a company moves beyond compliance and recognises and addresses societal expectations. The third tier requires that a company develops the competence to engage effectively with stakeholders and take proactive measures on their issues and concerns. Sethi also emphasised the cultural and temporal dependencies of corporate responsibilities and the importance of stable management systems and standard classifications to facilitate measurement of progress and comparative analysis.

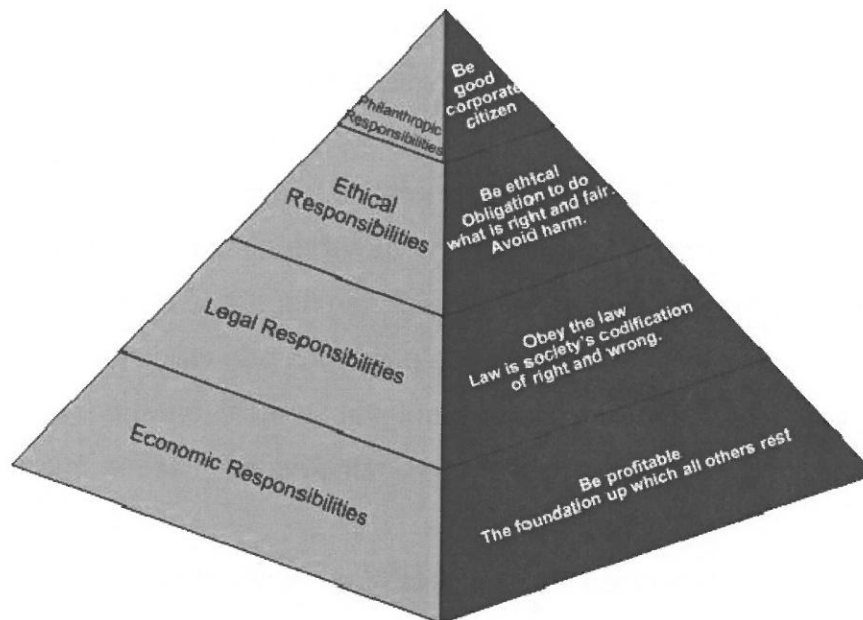
Building on Sethi's model, Carroll proposed a model that contains the following four categories of corporate responsibility in decreasing order of importance;

- a) Economic – be profitable
- b) Legal – obey the law
- c) Ethical – do what is right and fair and avoid harm
- d) Discretionary/philanthropic – be a good corporate citizen

The four classes of responsibility are seen to reflect the evolution of business and society interaction in the United States. According to Carroll, the history of business suggests an early emphasis on the economic and then legal aspects and a later concern for the ethical and discretionary aspects. Economic obligations are therefore seen to be tempered by ethical responsibilities or social expectations and norms. Discretionary responsibilities go beyond ethical responsibilities and include philanthropic measures such as corporate sponsored programs for disadvantaged workers.

In 1991, Carroll presented his CSR model as a pyramid and suggested that, although the components are not mutually exclusive, it "helps the manager

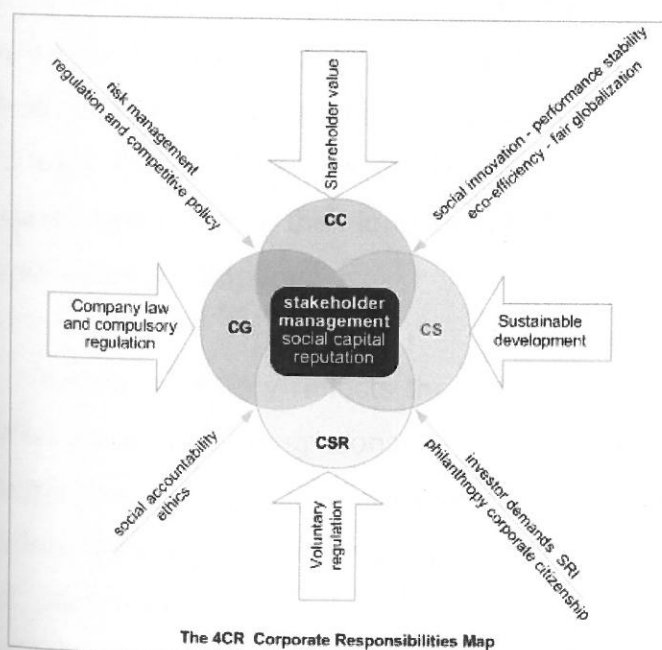
to see that the different types of obligations are in constant tension with one another”.



Carroll's CSR Pyramid

Source from AeU CSR module

The corporate sustainability is supported with the theory of 4CR Corporate Responsibilities Map. The 4CR taxonomy described in the following table highlights four corporate responsibility areas which are Corporate Competitiveness (CC), Corporate Governance (CG), CSR and Corporate Sustainability;



The 4CR Corporate Responsibilities Map

Source from AeU CSR module



At the centre of the 4CR Corporate Responsibility Map is stakeholder management which provides the common link between corporate competitiveness and corporate responsibility and sustainability. The framework has been designed to the following aims;

- i. Integrate the various strands of corporate responsibility (CSR, corporate sustainability and corporate governance);
- ii. Provide a strategic management framework incorporating corporate responsibility and corporate governance);
- iii. Support the staged development of strategic capabilities enabling companies to reach optimized performance.

A company should focus on areas such as economic, environmental and social when developing sustainability strategy (Szekely & Knirsch 2005). Sustainability strategy development can be based on legitimacy, economic and social theories. These theories explain social disclosure.

Legitimacy theory is whereby corporate social disclosures were motivated by the corporate need to legitimise activities (Hogner, 1982). This is where corporate management will react to community expectations (Guthrie & Parker, 1989). Thus, companies are expected to carry out activities that are accepted by the community. Legitimacy also implies that companies will take cautious to ensure their activities and performance accepted to the community given a growth in community awareness (Wilmshurst & Frost, 2000). However, Guthrie & Parker (1989) failed to confirm legitimacy theory as an explanation for societal disclosures in their longitudinal study of BHP, an Australian mining and manufacturing company.

Economic theory reflects the degree of association of CSR and financial performance by taking consideration of cost-related advantages, market advantages and reputation advantages (Chamhuri & Wan Noramalia, 2004). In the business, CSR is concern with employment, lifelong learning, consultation and participation of workers towards restructuring and industrial change. Basically, the formation of policies is influenced by the authority employment

strategies, the initiative on social responsible restructuring, the initiatives to promote quality and diversity in the workplace and health and safety strategy.

The social issue include the benefit offered in terms of training related to safety, health and environment, donations, education scheme, medical benefits and others. (Chamhuri & Wan Noramelia 2004). Environmental issues emphasize on preserving and conserving natural resources such as conducting recycling activities, noise reduction action plan, water and process treatment and compliance with authority's requirements. Many companies recognised the importance of their responsibilities towards the environment and take them seriously by setting targets for improving their performance. Organisations also have a range of impacts on the community within which they operate and in at least some measures, disclosed the issues in their own CSR reports and information. CSR social activities may include charitable contributions, donations, health care campaign and blood donation. Development of strategies and programmes on social and environmental issues enabled firms to gain close relationship within community. According to them, "CSR activities are indirectly acts as a marketing and promotional strategy. As the result higher market share can be obtain, which lead to higher revenues from larger sales."

As a conclusion, after a long term survival, CSR has been adopted as a corporate routine which it shows the corporate responsiveness to the social, economy and community. Strategic CSR is whereby an organisation achieves corporate sustainability in such a way that it CSR actions have become part of parcel of the way in which a company carries out its business. It needs bottom line supports, commitment and strategic plan in order to ensure the company could gain the benefits from the initiatives taken. CSR is about long term investment and it is not just as contributions, but it more on win-win situation to the business success.