ORIGINAL ARTICLE

Understanding Corporate Social Responsibility: A Survey of Malaysian Muslim Managers

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ABSTRACT

The objective of this paper is to explore the level of understanding of the Malaysian Muslim managers in financial sector towards corporate social responsibility (CSR) issues and practices. A total of 243 responses were analysed in different segments of financial institutions in Malaysia. The questionnaire was used to measure the perceptions and awareness of the respondents towards CSR concept and commitment. The results indicate that, in general, Muslim managers demonstrate a growing concern towards CSR practices in Malaysia. However, the result from factor analysis reveals that Muslim managers perceived public maslahah and religious activities as the most important CSR commitment. The findings provide useful implication for the effective and efficient management of CSR across financial services sector in Malaysia.

Key words: Corporate Social Responsibility, Islamic Corporate Social Responsibility, Islam, Culture, Managers, Malaysia.

Introduction

A study of corporate social responsibility (CSR) has become the subject of research for many academias in the field of accounting and business management. A key part of the research is to address the idea that corporations have responsibility to work for social betterment (Frederick, 1994). Boatright (1993) argues that CSR started to figure prominently in public debate in the wake of increasing social problems such as poverty, unemployment, race, gender and religious discrimination and environmental pollution. Since then, CSR is constantly evolving to incorporate different approaches depending on circumstances and needs. In the context of global business, corporations are dependent on the effective interaction within the environment for maintaining existence and survival (Fatehi, 1996). Therefore, it is argued that corporations not only have economic responsibilities of being profitable and legal responsibilities to follow the laws and regulations the guide their ability to achieve economic purposes, but they also require ethical and philanthropic responsibilities that include a variety of cultural norms and standards. The aim of this paper is twofold. Firstly to explore the perceptions of Muslim managers towards the concept of CSR. Secondly, to analyse the commitment to CSR amongst Muslim
managers. This paper will be presented in the following sequence. The next section provides the literature review of the present study. The third section discusses the methodology and followed by a discussion of the findings and conclusion in the final section of the paper.

**Literature Review:**

**Background:**

The basic idea of CSR is that corporations should take into account activities beyond profit making which include protecting the environment, caring for employees, being ethical in trading, and getting involved in the community. However, defining CSR is difficult as it brings different understanding to different type of people (Dusuki, 2005). In fact, this scenario leads to a variety of definitions of CSR adopted by different groups specific to their own interests and without a single consensus agreement (McWilliams et al., 2006; Shahin and Zairi, 2007). Carroll (1999), for instance, points out that over 25 different conceptual definitions of CSR within published academic papers. One of the mainstream definitions which incorporated in the Commission of the European Communities and the Financial Times Top 100 Index is: “CSR is corporations being held accountable by explicit or inferred social contract with internal and external stakeholders, obeying the laws and regulations of government and operating in an ethical manner which exceeds statutory requirements” (Bowd et al., 2003, p. 19).

In a more comprehensive approach, Carroll (1979, 1991) introduces a famous definition of CSR, suggesting that corporations are bounded with four elements of responsibilities - economic, legal, ethical and philanthropic - known as “The Pyramid of Corporate Social Responsibilities”. Economic responsibilities designed to fulfill societal needs and wants by producing products and services to them. As a basic economic entity in the society, the existence of business is motivated by the maximisation of profit and increasing shareholder value. Legal responsibilities embrace the expectation of the society to pursue their objectives within the framework of the law (Dusuki, 2005). It is also important for corporations to comply with other legal responsibilities such as employee welfare, consumer protections laws, pollution control and tax payment. Ethical responsibilities refer to the ethical responsiveness of the business corporations as expected by the society. It is important for the business corporations to recognise what is right and what is wrong so that they can provide fairness and justice to the societal members. Philanthropic responsibilities refer to the common desire to see business contribution in response to society’s expectation. Although the absence of philanthropic activities is not deemed as unethical, any voluntary programmes conducted by business community such as promoting art and cultural activities, supporting charity activities and education will contribute to the improvement of life.

Today, business corporations are under growing pressure to embrace social responsibility activities because of several reasons such as (a) the emerging public standards for social performance (the United Nations Global Compact), (b) the proliferation of independent evaluations and rankings that make social performance more transparent (Fortune’s Most Admired Companies), and (c) the scandals associated with big giant companies (Enron and Worldcom) (Pirsch et al., 2007). The existing literature indicated that many successful and profitable organisations spent significant amounts of money in fulfilling their social responsibilities (Doukakis et al., 2005). This proposition is supported by both theoretical and empirical research. For instance, study conducted by Arjoon (2000) and Marshall (2005) show that business corporations that adopt social responsibility - driven strategies generate greater profit potential than those companies that pursue solely on profit - driven strategy.

**CSR, Islamic Religion and Culture:**

Islam is numerically the second largest religion with nearly 1.6 billion followers. A Muslim is one who resigns himself to God (Allah) and thereby professes the faith of Islam. Muslim believes that Islam is a complete code of life, so that Islam needs discuss about each and every part of life. Following the Islamic resurgence and the increasing concern on the relationship between religion and economic activities, the Islamic perspective of corporate responsibility began to receive substantial attention (Haniffa and Hudaib, 2002). The concept of CSR in Islam encompasses the broader meaning embracing the aqidah (faith of God), ibadah (worship) and akhlaq (ethics and morality). This concept is embodies in Islamic shariah which is central to the worldview of Islam (Zaidan, 1999).

On the contrary, the principles that form the basis of CSR theories in the Western perspective are derived from the philosophy of economic rationalism, that is, based upon the doctrine of human logical argument and a secular concept of law (Baydoun and Willett, 2000). As a result, the Western philosophy is flexible and ever-changing as it is stem from the empirical observation and theoretical construct based on it (Dusuki, 2005). In addition to that, ethical codes of conducts are seen to be relativistic; a given practice may be accepted by an individual or group of people but not acceptable to others (Maali et al., 2003).
Islamic concept of CSR stem from the teaching of the Quran and the Hadith providing a holistic philosophical framework for man’s interaction with fellow human beings as well as to the environment. CSR in Islam derived from the elements of brotherhood and social justice (Naqvi, 1981). The practice of social justice will prevent Muslims from doing harm (Yusoff, 2002). According to Alhabshi (1994), social justice is strengthened through the concept of ukhuwwah (brotherhood). The commitment of Islam to justice and brotherhood demands that Muslim society take care of the basic need of the poor (Naqvi, 1981) and be responsible to each others. In other words, Islamic perspective of CSR affects the concept of accountability. This flows from the fundamental concept of tawhid (oneness of God), which requires a total commitment to the will of God. Based on the axiom of tawhid, the main objectives of social responsibility should be to demonstrate responsibility to God, society as well as to the environment (Muwazir, 2011; Muhamad and Muwazir, 2007).

The Muslim relation with God is one of love and obedience, complete trust and thoughtfulness, peace and appreciation, steadfastness and active service (Abdallati, 1998). This relationship is strongly built from the essence of the six pillars of faith and five pillars of Islam. This relationship must free from any intermediaries as explained clearly in the Quran (64:4). Muslims have to be aware that God is always watching, thus they have to ensure that economic activities must comply to the shariah requirements such as the payment of zakat (religious tax) and voiding activities involving riba, alcohol, drugs and gambling. Muslim’s relationship with other fellow human beings should be inspired by the values of trust, truthfulness, respect of the law, kindness and tolerance. Muslim has to develop a good sense of social consciousness and nourish a feeling of human response, provide for his dependents generosity without extravagance and meet their legitimate needs (Abdallatii, 1998). Islam encourages Muslim to undertake philanthropic activities even if there is probably no profit potential such as sadaqah and waqf. The philosophical background of the Islamic attitudes towards the environment is respect for plants and animals and the ecological balance of the nature for the sake of God who created all things that are considered as having it own value (Othman and Sohaili, 1998). Muslim should accept and protect everything in the world as valuables. According to Islam, the protection of environment as well as utilization of natural resources for business purpose should be socially responsible. Tawhid, which signifies the acceptance of the oneness of God, provides one single direction in guaranteeing a unified spirit in adhering to the shariah (Moten, 1990). In other words, by accepting the oneness of God, all economic activities must adhere to the Islamic doctrines and non-conformance will result in sin (Hanifia et al., 2002).

The previous discussion recognises that culture as an influential variable for corporation to engage in social activities. Davis (1973) claims that business is operating under a set of cultural constraints in the same way that any other person in society does. For example, in some developing countries, particularly in Asia, studies found that religious commitment exerts an impact on the attitude and behaviour of business entrepreneur to perform social responsibility practices (Nelson, 2004; Renato and Fiume, 2004; Dusuki, 2005; Muhamad and Muwazir, 2007). Furthermore, Chapple and Moon (2005) and Sriramesh et al. (2007) claim that the way CSR is practiced and perceived in Asia is not homogeneous as it is shaped by different culture, religion, political and socio economic condition. Therefore, any changes in society’s culture and norms will change business perception and attitude towards CSR commitments.

A study conducted by Welford and Frost (2006) reveal that labour issues are generally considered the most important CSR concern in Asia. For example, Welford (2004) reveals that Asian companies appeared to be doing less than European companies in regards with certain policies such as fair wages, freedom of association and equal opportunity for employees. In another study, Welford (2005) finds that Asian corporations place philanthropic policies the least prevalent compared to European and North American corporations. Wong et al. (2009) conducted a study to assess perceptive differences in CSR among business students. The result shows that Indian students placed more emphasis on philanthropic responsibilities, while Chinese respondents concentrated on economic responsibilities. Engle (2007) conducted a study in America to examine the perceptions of 56 senior international business executives regarding the importance of CSR involvement by multinational corporations in the improvement of human rights, poverty, education, health care and environment of the host countries. The results of the study reveal that environmental responsibility ranked the most important element of these five areas.

Chapple and Moon (2005) argue that different countries in Asia focus on different CSR commitment. Countries such as Malaysia, Thailand and India emphasise more on community involvement, while South Korea involves in production process. However, not many studies have been conducted to investigate and analyse a viable CSR agenda in this part of the world where social responsibility commitment and initiative is uniquely associated with various culture, religion and traditional norms. Hence, this study aims to explore the perception of Muslim managers in Malaysia pertaining to CSR issue and commitment.

Methodology:
This study adopted cross-sectional design or also known as survey design. It was thought to be the most appropriate research design to be employed especially based on the nature of the research objective and the data required. The sample of the study encompasses Muslim managers in Malaysia. The respondents were randomly selected from different segment of financial institutions namely commercial banks, investment banks, brokerage firms, fund management companies, insurance companies, unit trust companies and large public fund organisations. The questionnaire mailing and follow-up generated 248 responses, out of which 243 were usable (valid and completed). The questionnaire survey was divided into two parts. Part 1 was aimed to discover respondents’ views on the concept of CSR. Part 2 was designed to explore respondents’ perception towards CSR commitment. The following specific objectives were addressed in this study:

1. To discover the level of understanding towards CSR
2. To investigate the importance of CSR commitment.

Results:

The findings of this study are divided into two sections.

Objective 1: Respondents’ Understanding towards the concept of CSR:

This section provides descriptive analysis on the respondents’ views and understanding towards the concept of CSR. They were five statements were included in the questionnaire. These statements were measured by using a five point Likert Scale with the following anchor: (1 = Strongly Disagree; 2 = Disagree; 3 = Undecided; 4 = Agree; 5 = Strongly Agree).

The first statement investigates the perception of respondents towards CSR involvement and investment opportunity. Almost 72.9 percent of the respondents agreed with the statement “The increasing involvement of business in social responsibility may encourage investment opportunity”, while only 4.3 percent of them disagreed. Another 22.8 percent of the respondents were undecided. This finding maybe explained by the fact that most investors today would want to be associated with a socially responsible firms (Gillis and Spring (2001). For example, in the United States, socially res ponsible investing represents USD2.3 trillion, which is one out of every eight investments (Gillis and Spring, 2001).

Finding also reveals that 48 percent of the respondents have agreed with statement 2 which is “Contributing to the solution of social problems such as poverty can be profitable”. Another 37.4 percent were undecided, while only 14.6 percent were disagreed. The finding implies mix perceptions of respondents on the argument that charitable acts to the society, such as curbing poverty can increase firms’ financial performance. The finding partially supports the previous studies conducted by Ford and McLaughlin (1984), Orpen (1987) as well as interview research done by Juholin (2004) who found that the majority of the respondents have agreed with the statement.

Next, statement 3 examines the perceptions of respondents towards the impact of the social programmes on the business image. The majority of the respondents (87.9 percent) agreed that “Corporate social programmes can help build a favourable image for a business”. Only 9.3 percent of the respondents were undecided. This finding is consistent with the result by Rashid and Ibrahim (2002) which confirm the proposition that social responsibility programmes performed by corporations can transform a positive image from target markets and other stakeholders. The good deeds generated by the corporations can build high reputations and positive brand image and able to gain profits in return (Kitchen and Schultz (2002).

Statement 4 shows that vast majority of the respondents (87.9 percent) agreed with the statement that “Business should realise that it is part of the larger society and therefore, it should respond to social and environmental issues”. Only 11.7 percent of them were undecided. This particular result supports the finding made by Fulop, Hisrich and Szegedi (2000) who conducted a study to examine the views of business ethics and social responsibility among Hungarian managers.

Last but not least, statement 5 depicts that 63.4 percent of the respondents were agreed with the statement “A firm’s level of social involvement is dependent upon the national economic condition, that is more involvement in times of prosperity and less involvement in times of economic slowdown”. About 25.6 percent of the respondents disagreed with the statement compare to 11 percent of them who undecided. This result appears to suggest that respondents have different opinion and understanding regarding the impact of economic condition on CSR involvement.

To sum up, majority of the respondents have perceived CSR as an important part of the business policy. They believe that corporations should positively respond more to social and environmental programmes in order to remain competitive and to attract investment opportunity.

Objective 2: Respondents’ Perceptions towards CSR Commitment:
This section analyses the findings on respondents’ perceptions towards CSR commitment in Malaysia using factor analysis. In total, there are seventeen statements of CSR commitment by the corporations. Those statements were measure on the interval method with the five Likert scale (from 1 to 5). On this scale, 1 represent strongly disagree while 5 represents strongly agree.

The result indicates that Muslim managers perceived public maslahah and religious activities as the most important CSR commitment (38.86 percent of variance). The second important commitment is to support for minority groups and ideologies. This factor contributes 12.44 percent of the total variance. The third important CSR commitment is cultural programmes. With almost 6 percent of total variance, factor 4, philanthropic activities is claimed to be the least important CSR commitment by Muslim managers in Malaysia. The result from the exploratory factor analysis suggests that Muslim managers in the financial sector in Malaysia have placed community involvement and religious programmes as the main obligation for the Malaysian corporation in promoting CSR involvement.

Conclusion:

This paper presents empirical evidence on the perception of Muslim managers towards CSR in Malaysia. At the same time, the results offer a current picture of the CSR-related issues and practices in this emerging economy. In general, the respondents express a good level of understanding and awareness of CSR concept. Most of the respondents provide positive responses to each statement on CSR issues. This maybe influenced from the various initiatives and continuous efforts promoted by the Malaysian government as well as other agencies such as Security Commission of Malaysia, Bursa Malaysia, Malaysian Accounting Standard Boards (MASB) and Institute of Corporate Responsibility Malaysia. The Government’s plan to encourage CSR can also be identified under the five-yearly Malaysian Development Plans (Amran, 2006). The result from factor analysis suggests that Muslim managers in Malaysia are mostly concern with the commitment of social responsibility particularly on the activities that provide benefit for the community enhancement as well as for the strengthening of Islamic values. Perhaps, this is due to the realisation that Malays are strongly associated by the teaching of Islam. Future research efforts may want to widen the scope of the study to include other Muslim countries. A comparative analysis may help to identify factors that lead to the current CSR strategies in order to improve business operations through best practice.

References


