

Corporate Social Responsibility Practices (CSR) and CSR Performance in Malaysian Automotive Industry

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Abstract

Corporate Social Responsibility (CSR) is increasing interest in Malaysian automotive industry. The aim of this study is to review the structural relationship between CSR practices and CSR performance in Malaysian Automotive Industry. Thus, this paper seeks to explore the CSR practices (employee involvement, customer focus, environment, corporate governance, community and society, human right) and corporate social responsibility performance (environmental performance and social performance). This study concludes that CSR has an importance practices to improve performance. Based on the proposed conceptual model and reviewed, research hypotheses are being developed.

Keywords: CSR practices, Environmental performance, Social performance, Automotive

1. Introduction

The automotive industry is one of the most important in Malaysian manufacturing sector. Based in the ASEAN region with a population of more than 500 million people, Malaysia provides many opportunities for global automotive industry to establish manufacturing and operations in the country. Malaysia has built a real image of the national car manufacturer within the global automotive industry over the last two decades (Talib *et al.*, 2012). Nowadays, the automotive industry is designated to increase the industrialization process and enable the country to achieve developed nation status by 2020 (MGCC, 2012). Based on the National Automotive Policy (NAP) in 2006 and 2009, the Malaysian government further confirmed the policy for the development of national automotive industry of OEMs, suppliers and related industries in the early 1980s (Wad and Govindaraju, 2011).

In Malaysia, CSR is one of the ways that corporations meet their obligations and employees as their large communities. Vicianova (2011) presented CSR as a commitment to improve community welfare by discretionary business practices and contributions of corporate. According to Rahim *et al.* (2011), CSR is the existence of an organization can be seen in the social contract that requires the corporation to take the interests of the community in decisions making. In Malaysia, CSR is one of the ways that corporations meet their obligations and employees as their large communities. On the other hand, CSR refers to a concept that has attracted the world-wide attention and acquired a new image in the global economy (Jamali *et al.*, 2008). Jamali and Mirshak (2007) defined CSR as a set of management practices that ensures companies maximize the positive impact of operations on society. Besides that, corporate social responsibility is a weapon for competition and approach to improve the competitiveness by taking the opportunities and manage the risks associated with global trends (Will, 2007).

According to Bird *et al.* (2006), they found that the indication of the relationship between corporate social responsibility (CSR) activities within companies and their performance. In relation to that, the purpose of this study is to investigate the corporate social responsibility practices (CSR) and CSR performance in Malaysian automotive industry. Meanwhile, there are two elements of corporate social responsibility performance which are environmental performance and social performance.

2. Literature Review

2.1 Corporate Social Responsibility Practices (CSR)

CSR is most important part of character and culture of company management in Malaysian automotive industries. CSR refers to the responsibility of the community and the stakeholders that influence corporate policies and practices (Khanifar *et al.*, 2012). Vicianova (2011) found that CSR is concerned to environmental and social aspects in automobile industry. In addition, CSR is the voluntary efforts taken by the business community to act with responsibility in relation to all stakeholders (Cetindamar and Husoy, 2007).

Based on previous study (Sweeney, 2009), CSR measures employee involvement, customer focus, environment, corporate governance, community and society, and human right. Definitions of the constructs of CSR practices incorporated in Table 1.

Table 1. Construct Definitions

According to Yilmaz (2008) CSR practice was taking responsibility to impact on employees, customers, communities and operational environment. Besides that, the benefits CSR also affect the society than the company and its shareholder (Vicianova, 2011). A summary of

Construct	Definition
Employee Involvement	The degree of commitment and worked in organizations (Ali <i>et al.</i> , 2011) and related to commitment, focus effort and energy (Macey and Schneider, 2008).
Customer Focus	Assessment based on the customer purchase and use of good or service over time (Luo and Bhattacharya, 2006) and customer involvement, customer orientation (Zakuan <i>et al.</i> , 2007).
Environment	Pollution prevention and control, protection of water resources, biodiversity conservation, waste management, pollution management, and environmental management (Crifo and Forget, 2012) and environment friendly products, waste management hazards, use of chemicals, pollution, and recycling (Bhattacharya and Sen, 2004).
Corporate Governance	The standards used and controlled by the companies (Jamali <i>et al.</i> , 2008) that include system of laws, regulations, and operating in the company (Nulawadin, 2008)
Community and Society	A group of people sharing the same goals, interdependencies to meet the needs and interact with each other (Ismail, 2009)
Human Right	Everyone has the right to just and favorable remuneration to ensure suitable life of human dignity (Rabet, 2009) and focusing on human rights and responsibilities for the fair distribution of society (Leisinger, 2006)

CSR practice benefits is given in Table 2.

Table 2. Benefit of CSR practices

Category	Authors	Benefit of CSR practices
Employee Involvement	Ali <i>et al.</i> (2011)	Achieving corporate goals and customer services, hard-working, loyal to the organization and make a positive impact on the success of the organization.
	Stancu <i>et al.</i> (2011)	Impact on employees' commitment towards employer, quality of product or service depends on the level of employee motivation and training, enable the companies established a strong relationship with internal stakeholders, and improved profit margin.
	Sweeney (2009)	Increase employee attraction, retention and motivation.
	Jones and	Management will be more efficient, improve the goals of managers

	Kato (2005)	and employees, and improve quality.
Customer Focus	Loureiro (2012)	Increase the value-added and attracting consumers' awareness.
	Sweeney (2009)	Improve sales and customer loyalty.
	Luo and Bhattacharya (2006)	Long-term profitability and market value, the level of satisfaction by products and services that socially responsible firms, and increase customer knowledge.
	Classon and Dahlstrom (2006)	Affect customers' perception of products or services, influence of customer loyalty and profitability.
Environment	Crifo and Forget (2012)	Reduce negative external effects (pollution abatement).
	Lyon and Maxwell (2008)	Reduce cost and waste reduction; improve sales of environmentally friendly products and social welfare.
	Sweeney (2009)	Waste reduction, energy saving, and water conservation.
Corporate Governance	Wise and Ali (2009)	Improved global perception of business, increase competitive advantage, and increase profitability.
	Riyanto and Toolsema (2007)	CSR helps to solve the agency problems, and increase the managers' effort.
Community and Society	Ismail (2009)	Creates sustainable development, improve the welfare of employees and local communities.
	Sweeney (2009)	Enable involvement of the local community.
	Uddin <i>et al.</i> (2008)	Develop relationships with all stakeholder groups; improve the quality of the workforce and the local community.
Human Right	Weigel (2011)	Enhancing social justice programs, and improves human rights considerations.
	Rabet (2009)	The prevalence of the human rights to justice over wealth creation, and human rights influence the behavior of corporation.

2.2 The Positive Effect of Corporate Social Responsibility Practices (CSR) and Corporate Social Responsibility Performance (CSRP)

Study by Ioannou and Serafeim (2010) and Gholami (2011) stated that CSR performance focused on two dimensions: (i) environmental performance and (ii) social performance. They found the relationship between the social and environmental performance through operations, firm, product and market characteristics. Besides that, there was a strong correlation between the environmental and social performance. Environmental performance is creates a good environment (Purnomo and Widianingsih, 2012) and improve the competitiveness of company (Flammer, 2012). This also supports by Loureiro et al. (2012) that highlight CSR performance could improve environmental performance in automobile industry. Thus, CSR has a strong positive relationship in environmental performance.

CSR initiative enables the company to obtain benefit of CSR performance (Thiele et al., 2008). For example, Afonso et al., (2012) found that CSR has a positive relationship with social performance. This finding confirms that consumers are more vulnerable to products and services.

Based on the literature, there have been various measures of the CSR performance. A research finding of CSR performance is given in Table 3.

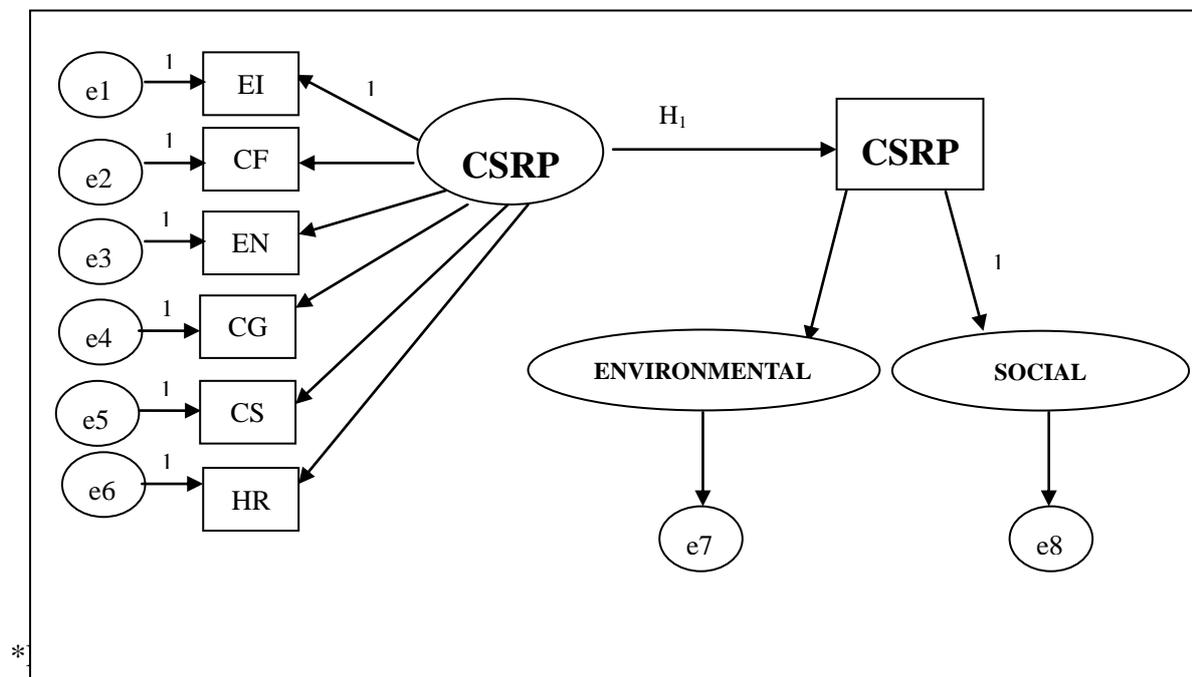
Table 3. The research finding on corporate social responsibility performance

Measure	Authors	Findings
Environmental Performance	Loureiro et al. (2012)	Consumers influences environmental performance, and reducing risk through cleaner production and energy efficiency.
	Purnomo and Widianingsih (2012)	To make investment decisions, and provide a positive image for the company.
	Flammer (2012)	Improve green initiatives of company, and reduce marginal returns.
	Sweeney (2009)	Cost savings to improve environmental performance.
	Ioannou and Serafeim (2010)	Improve corporate awareness through the environment.
	Stanwick and Stanwick S.A. (1998)	Reduction of environmental pollution, and reduce polluting activities.
Social Performance	Afonso et al. (2012)	Improve the company's financial, and positive on sales.
	Ioannou and Serafeim (2010)	Increase social welfare employees.
	Yang et al. (2010)	Increase the return on assets, improve competitive advantages, and increase the company's image.
	Albinger and Freeman (2000)	Positive impact on qualified employees, enhance competitive advantages, and positive on financial success.

3. A Proposed Research Model

The proposed research model aims to analyze the relationship between corporate social responsibility practices and corporate social responsibility performance for Malaysian automotive industries. This model as presented in Figure 1. To understand the relationship of CSR practice and CSR performance in Malaysian automotive industry, the following hypotheses were set up to be tested. According to the literature review, these hypotheses will be stated based on the numbering system from H1. This style of hypotheses statement is chosen due to the nature of answering hypotheses using structural equation modeling methods.

H1: There is a positive and direct significant relationship between CSR practices and CSR performance in Malaysian automotive Industry.



CF=Customer Focus, EN=Environment, CG=Corporate Governance, CS=Community and Society, HR=Human Right, CSR=Corporate Social Responsibility Performance

Figure 1. Model of the study

4. Methodology

In this study, sampling method by using structured questionnaire. The population of this study comprised in Malaysian automotive industry. Questionnaires will distribute to respondents from the listing of automotive industry obtained from Malaysian Automotive Component Parts Association (MACPMA), Proton Vendors Association (PVA), and Kelab Vendor Perodua. To analyze the data, two statistical techniques were adopted.

Structural equation modeling (SEM) techniques was utilized to perform the required statistical analysis of the data from the survey. Exploratory factor analysis, reliability analysis and confirmatory factor analysis to test for construct validity, reliability, and measurements loading were performed. Having analyzed the measurement model, the structural model was then tested and confirmed.

The statistical Package for the Social Sciences (SPSS) version 17 was used to analyze the preliminary data and provide descriptive analyses about thesis sample such as means, standard deviations, and frequencies. SEM using AMOS 6.0 will use to test the measurement model.

5. Conclusion

Based on the findings in the previous section obtained some conclusions. The aim of this study was to determine the factors of corporate social responsibility practices. In addition, CSR practices adopted different stakeholders to ensure the needs and interest. These findings allow us to conclude that CSR corporate social responsibility practice has a positive relationship between CSR performances in Malaysian automotive industry. A conceptual model has been proposed to examine the relationships between CSR practice and CSR performance in Malaysian automotive industry. In future agenda, a survey is designed in order to conduct an empirical research for examining survey's hypotheses. It is hoped that the important facts addressed in this study will be means whereby managers and researches will be able to investigate the CSR problem in Malaysian automotive industry with better awareness.

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