

**Corporate Sustainable Business Practices and Organizational  
Attractiveness among professionals in Malaysia**

**By**

**Mohamad Abu Huzaifah bin Magbool**

**Research report in partial fulfilment of the requirements for the  
Master's Degree in Business Admin**

**Universiti Sains Malaysia**

**2012**

## **ACKNOWLEDGMENTS**

This thesis is the result of numerous contributors.

I would like to thank my supervisor Associate Professor Dr Azlan Amran for letting me work on such an exciting and interesting topic. He tirelessly guided me through the whole process enabling me to complete the project in the best manner I could.

I would like to extend my heartiest gratitude to Associate Professor Dr Jeyaraman for his guidance, valuable comments and advices.

Further, I would like to thank all the other lecturers who have definitely contributed by indirectly preparing me for this project from the day one I registered for this MBA programme.

Also, I would like to thank all GSB staffs for their various contributions.

And last but not least, I want to express my thankfulness to great friends and family who have cheered me on through this process. Alhamdulillah, we did it!

Mohamad Abu Huzaifah bin Magbool  
May 2012

## CONTENTS

ACKNOWLEDGMENTS .....	i
LIST OF TABLES .....	v
LIST OF FIGURES .....	vi
LIST OF ABBREVIATIONS .....	vii
ABSTRAK .....	viii
ABSTRACT .....	ix
Chapter 1 .....	1
1.1 Background of the Study.....	1
1.2 Problem Statement .....	6
1.3 Research Objectives .....	7
1.4 Research Questions .....	8
1.5 Definition of Key Terms .....	9
1.6 Significance of the study .....	10
1.7 Organization of the Remaining Chapters .....	11
Chapter 2 .....	12
2.1 Introduction .....	12
2.2 Theory .....	12
2.2.1 Person to-organizational Fit Model .....	12
2.2.2 Social Identity Theory .....	13
2.2.3 Signalling Theory .....	14
2.3 Importance of talents.....	15
2.4 Organizational Attractiveness .....	17
2.5 Sustainable Development.....	20
2.5.1 Sustainable Development and Corporate Social Responsibility.....	22
2.5.2 Sustainability Agenda in Malaysia .....	23
2.5.3 Triple Bottom Line .....	27
2.6 Sustainable Development and Competitive Advantage .....	29
2.7 Sustainable Development and Value Creation.....	31
2.8 Sustainable Development Sceptics.....	32
2.9 Sustainable Development and Organisational Attractiveness Researches.....	33
2.10 Individual Differences.....	35

2.11	Gap in Literature Review .....	37
2.12	Conceptual Framework and Hypotheses Development .....	39
2.12.1	Theoretical Framework.....	39
2.12.2	Hypothesis .....	42
2.13	Summary .....	45
Chapter 3	.....	46
3.1	Introduction .....	46
3.2	Research Design.....	46
3.2.1	Type of the Investigation .....	46
3.2.2	Study setting .....	47
3.2.3	Unit of Analysis.....	47
3.3	Research Procedure .....	48
3.3.1	Information Gathering .....	49
3.3.2	Questionnaire Design.....	49
3.3.3	Design of Cases – Hypothetical Organizations .....	50
3.4	Data Collection Method .....	54
3.5	Sampling.....	54
3.6	Pilot Test .....	54
3.7	Data Analysis .....	56
3.7.1	Database.....	57
3.7.2	Statistical Analysis.....	57
3.8	Summary .....	59
Chapter 4	.....	60
4.1	Introduction .....	60
4.2	Sample Profile .....	60
4.3	Profile of Respondents .....	61
4.3.1	Demographic profile of Respondents .....	61
4.4	Best Preference Combination of the Four IVs .....	62
4.5	Multidimensional Scaling (MDS) for 16 Combination Cases .....	63
4.6	Minitab Factorial Design Analysis – Main Effects .....	66
4.6.1	Intention to Join .....	67
4.6.2	Accepting Job Offer.....	68
4.6.3	Individual Variable Analysis .....	69
4.7	Minitab Factorial Design Analysis – Moderating Variables.....	69

4.7.1	Moderating Effects Analysis – Gender.....	70
4.7.2	Moderating Effects Analysis – Age.....	74
4.8	MDS Analysis with Respect to Demographic Data .....	77
4.8.1	MDS Matrix for Gender .....	77
4.8.2	MDS Matrix for Age .....	81
Chapter 5	.....	85
5.1	Introduction .....	85
5.2	Recapitulation of the study Findings.....	85
5.3	Research Questions Discussion.....	87
5.3.1	Research Question 1 .....	87
5.3.2	Research Question 2 .....	89
5.3.3	Research Question 3 .....	91
5.3.4	Research Question 4 .....	93
5.4	Implications.....	95
5.5	Limitations and Future Research.....	96
5.6	Conclusion.....	97
Bibliography	.....	100
Appendix 1: Questionnaire.....		105
Appendix 2: SPSS Database.....		116
Appendix 3: Descriptive Analysis using SPSS - Frequency .....		117
Appendix 4: Descriptive Analysis using SPSS - Mean.....		119
Appendix 5: Split Data .....		121
Appendix 6: Factorial Design Analysis - Minitab.....		123
Appendix 7: Factorial Design Analysis – Minitab .....		125
Appendix 8: Empirical Study Output – Frequency Table .....		128
Appendix 9: Average score for 16 cases .....		130
Appendix 10: Minitab Statistic Analysis – Mean Intention & Accepting.....		132
Appendix 11: Minitab Statistic Analysis – Gender.....		146
Appendix 12: Minitab Statistic Analysis – Age .....		160

## LIST OF TABLES

Table 1.1.....	3
Table 3.1.....	48
Table 3.2.....	51
Table 3.3.....	59
Table 4.1.....	61
Table 4.2.....	62
Table 4.3(a).....	63
Table 4.3(b).....	64
Table 4.4.....	73
Table 4.5.....	74
Table 4.6.....	84
Table 5.1.....	90

## LIST OF FIGURES

<i>Figure 1.1</i> , Estimates of the Malaysia Diaspora (WORLD BANK, 2011) .....	4
<i>Figure 2.1</i> , Goals of the New Economic Model (National Economic Advisory Council, 2010).....	24
<i>Figure 2.2</i> , Key milestones in Malaysia's sustainability journey (Bursa Malaysia Berhad, 2010).....	25
<i>Figure 2.3</i> , Guideline for identification for key issues along the Bursa dimension (Bursa Malaysia, 2010) .....	26
<i>Figure 2.4</i> , Theoretical Framework .....	41
<i>Figure 4.1(a)</i> , MDS Map for 16 combination cases - intention to join .....	65
<i>Figure 4.1(b)</i> , MDS Map for 16 combination cases – accepting job offer .....	65
<i>Figure 4.2</i> , Graph representing mean score for intention to join for environmental performance.....	72
<i>Figure 4.3</i> , Graph representing mean score, two age group for two extreme cases ..	75
<i>Figure 4.4(a)</i> , MDS Map for intention to join – Male.....	79
<i>Figure 4.4(b)</i> , MDS Map for intention to join - Female.....	79
<i>Figure 4.5(a)</i> , MDS Map for accepting job offer - Male.....	80
<i>Figure 4.5(b)</i> , MDS Map for accepting job offer - Female .....	80
<i>Figure 4.6(a)</i> , MDS Map for job pursuit intention – Age group 21-30 years .....	82
<i>Figure 4.6(b)</i> , MDS Map for job pursuit intention – Age group 31-40 years .....	82
<i>Figure 4.6(c)</i> , MDS Map for job pursuit intention – Age group 41-50 years.....	83

## **LIST OF ABBREVIATIONS**

CA	Competitive Advantage
CSR	Corporate Social Response
CSP	Corporate Social Performance
CSB	Corporate Sustainable Business
DV	Dependent Variable
GRI	Global Reporting Initiative
IV	Independent Variable
MDS	Multidimensional Scaling
NEM	New Economic Model
SD	Sustainable Development
OECD	Organisation for Economic Co-operation and Development



## ABSTRAK

Menjadi satu hakikat yang tidak dapat disangkal bahawa tenaga kerja yang berbakat adalah penting untuk membezakan organisasi dari pesaing-pesaingnya. Memandangkan sumber manusia yang kebanyakannya adalah unik, sukar dicari ganti maka ianya telah dimasyhurkan sebagai strategi baru untuk membolehkan organisasi mencapai bukan sahaja kelebihan daya saing malah kelebihan daya saing yang lebih mapan. Sepertimana semua sumber-sumber berharga yang lain, sumber manusia juga adalah sumber yang terbatas maka persaingan yang sengit sedang berlaku untuk merebut sumber berharga ini. Berasaskan teori identiti sosial dan teori isyarat, hipotesis penyelidik bahawa organisasi boleh memanfaatkan amalan perniagaan yang lestari untuk menarik bakat yang berharga untuk memperolehi kelebihan daya saing. Amalan perniagaan yang lestari mencipta imej yang positif bagi sebuah organisasi dan teori identiti sosial mencadangkan individu tertarik kepada imej positif ini organisasi untuk memenuhi harga diri mereka. Teori isyarat mencadangkan yang, amalan perniagaan yang lestari akan memberikan isyarat kepada bakal pekerja tentang pengalaman yang akan dilaluinya apabila berkerja dengan organisasi tersebut. Menggunakan reka bentuk faktorial, penulis telah menjalankan satu eksperimen di mana beliau memanipulasikan ciri-ciri tanggungjawab sosial Bursa Malaysia merangkumi prestasi alam sekitar, hubungan masyarakat, amalan tempat kerja dan amalan pasaran dan mendapati bahawa pencari kerja tertarik kepada organisasi dengan amalan perniagaan yang lestari tinggi daripada organisasi dengan amalan amalan perniagaan lestari yang rendah. Disertakan dalam perbincangan ini adalah syor praktikal untuk organisasi mengenai cara-cara untuk memanfaatkan hasil kajian ini.

## **ABSTRACT**

It is an article of faith that talented workforce is essential for differentiating an organization from its rivals. As human resources are mostly unique, non-imitable, and non-substitutable it has been recommended as a newly minted strategy to enable organization to achieve not only competitive advantage rather sustainable competitive advantage. However, this valuable resource as all other valuable resources in this earth is finite. Thus a war is being raged in pursuit of the talented workforce. Drawing on social identity theory and signalling theory, the researcher hypothesizes that organizations can leverage on their sustainable business practices to attract valuable talent in order to gain competitive advantage. Corporate sustainable business (CSB) practices creates a positive image for an organization and social identity theory suggests that individuals are attracted to this positive image of the organization to fulfil their self-esteem. Signalling theory suggest that, CSB practices signals to the prospective employees what it would be like to work for the organizations. Using factorial design, the author has conducted an experiment in which he manipulated Bursa Malaysia Corporate Social Responsibility framework attributes of environmental performance, community relation, workplace and marketplace performance to assess the attractiveness of an organization. It was found that job seekers are attracted to organizations with high CSB practices than organizations with low CSB practices. Practical recommendation for organization on ways to leverage the outcome of this research is also included.

# Chapter 1

## INTRODUCTION

### 1.1 Background of the Study

Globalization has posed a novel challenge for business survival. The rising global competitive environment has denied the traditional business strategy's success (Bartlett & Ghoshal, 2002). Mere low cost and differentiation strategy has not been able to outlast the stiff competition. There are growing believes that global survival requires a unique competitive advantage which is highly difficult to be emulated. More and more organisations are turning towards talent to build this competitiveness (C.B. Bhattacharya, 2008; Celani & Singh, 2010).

Khandekar & Sharma, (2005) argued that developing vital mass of workforces who are skilled or knowledgeable in a particular field may constitute a possible source of competitive advantage. Khandekar & Sharma, (2005) further elaborated that, the competent talents which are built over time within the organisation are specifically exclusive to the organisation, this talents are centric for an organisation's survival and world-class human resource has been underlined as a fundamental requirement in the era of globalisation. Sustainable competitive advantage as advocated by (O'Shannassy, 2008) has been closely attributed to an organization's talents which is considered a unique feature. However, there is a war being waged as organisations and countries struggle to hold their talents within their borders and at the same time try to woo the world's brightest (Wen, 2012). Loss of these valuable talents means lost of the competitive advantage against their competitors.

“War for Talent” a term coined by research power house McKinsey & Company in 1997 is still going strong and its hurting organisation's and country's

competitiveness severely. Human capital is the foundation of high-income economy. Unsurprisingly, as Malaysia aspires to transform itself to a high-income nation, the human capital development has taken centre stage in the transformation agenda. For Malaysia to fulfil the requirements of its aspiration, it will need to nurture, attract and retain talent (WORLD BANK, 2011).

*“Malaysia faces an exodus of talent. Not only is our education system failing to deliver the required talent, we have not been able to retain local talent of all races nor attract foreign ones due to poor prospects and a lack of high-skilled jobs.”* (National Economic Advisory Council, 2010).

Against this backdrop, the human capital in Malaysia is reaching its crucial stage and brain drain or migration of talents poses a specific challenge. The continued ‘exodus of talent’ as the quote above suggests, could be a major stumbling block in Malaysia’s journey to join the league of high-income nations. Indeed, the outflow of talents does not seem to square with what is needed domestically: a creative, skilled, and entrepreneurial labour to power the transformation. This has caused investors to shy away from Malaysia and we are losing valuable foreign direct investments which have been an important enabler of our economic functionality (Ng, 2011).

An important question to be asked at this point is that, where are the Malaysian talents and why Malaysia has not been able to attract talents? It is estimated that as of 2010 almost a million of Malaysians now work and live outside Malaysia and one third of them represent brain drain (WORLD BANK, 2011). Brain drain consists Malaysians who are educated up to tertiary level, all represent valuable skills which are now no longer available to contribute to Malaysia’s economic development (National Economic Advisory Council, 2010). Locally it is estimated

that only 23% of our workforce have some tertiary education (Baharin & Abdullah, 2011). The rate of outward migration of talented Malaysians is increasing rapidly. Talents or people migration has become a norm and it was estimated that between 1960 and 2005, the world's registered migration increased to an average of 919,302 per nation, an increase of 2.4 times.

Shockingly Malaysia's migration numbers increased tremendously, almost 100-fold to 1,489,168 over the 45-year period (Fong Chan Onn, 2010). The World Bank's report indicates that in 1990, Malaysians with tertiary education residing in the Organisation for Economic Co-operation and Development (OECD) countries totalled about 72,649 with a large number in Australia (34,716), followed by the US (12,315) and then the UK (9,812). Table 1.1 shows the percentages increase from year 1990 to year 2000 of tertiary educated Malaysians residing in OECD countries (Fong Chan Onn, 2010).

Table 1.1

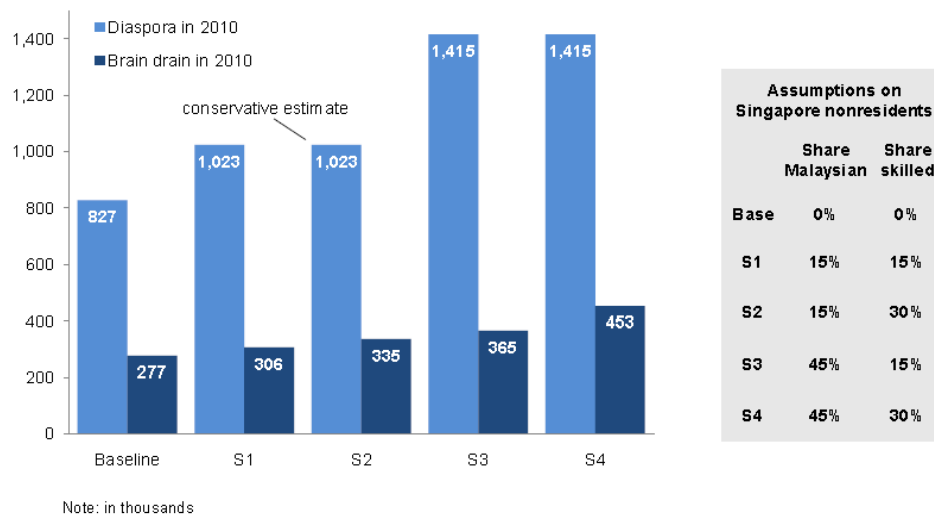
*Brain Drain Database, (Fong Chan Onn, 2010)*

<b>Tertiary educated Malaysians residing in</b>	<b>Year 1990</b>	<b>Year 2000</b>	<b>Increase (%)</b>
Australia	34,716	39,601	14.07
Canada	8,480	12,170	43.51
New Zealand	4,719	5,157	9.28
United Kingdom	9,812	16,190	65.00
United States	12,315	24,695	100.53
Others	2,607	4,508	72.92
<b>TOTAL</b>	<b>72,649</b>	<b>102,321</b>	<b>40.84</b>

In year 2000, one out of ten Malaysians with a tertiary degree migrated to an OECD country—this is twice the world average and it is estimated that by year 2010

the diasporas could reach one million with one third of them are brain drain

(WORLD BANK, 2011). Refer to *figure 1.1*.



*Figure 1.1*, Estimates of the Malaysia Diaspora (WORLD BANK, 2011)

This is an alarming condition due to the fact that; Malaysia itself is facing shortage of talents in some of the fields yet the local breeds are not returning to Malaysia to fill up this gap. It was estimated that 4,679 Malaysian doctors and 7,569 nurses are working in the OECD countries in 2000 while local hospitals itself are experiencing shortages of staffs (Dumont & Zurn, 2007). Brain drain is aggravated further by a lack of compensating inflows of talents.

Everybody is searching for a solution to address this issue. Attracting talent is an enormous task which requires for an innovative and holistic approach. Traditional approach of luring talents via attractive salary packages and fringe benefits has not been conclusively able to attract the best talent in the current human resource climate (Wen, 2012). Lee (2008) elaborated that good benefits package and competitive pay although important are not sufficient to attract and retain “*the best of the best*”. He also quoted that a study conducted by US consulting firm Kepner-Tregoe, found that 40% of the employees surveyed felt that increased financial rewards and salaries were futile in reducing turnover. In Fortune magazine’s “100 Best Companies to

Work For” survey, not a single person cited money as a motive why they loved the place they worked (Fortune, 2011).

Hence, the vital question to be asked is “What is the world’s best looking for?” Melissa Norman, Managing Director of workforce management solutions company Kelly Services said, in the "war for talent", employers need an unique approach and she opined that employers need to be more flexible in meeting the needs of today's young professionals (Bernama, 2010). Lee, (2008) says the common carrot lies in the intangible, such as pride in where they work and what they do. Jim Copeland, Jr., former Chief Executive Officer of deloitte Touche Tohmatsu says that: *“The best professionals in the world want to work in organizations in which they can thrive, and they want to work for companies that exhibit good corporate citizenship”*(C.B. Bhattacharya, 2008).

Research carried out by Business in the Community in partnership with the Chartered Institute of Personnel Development (CIPD) and the Future Work Institute suggests that responsible business practice help to attract, motivate and retain a diverse and talented workforce (Business in the Community, Development, & Institute, 2003). A survey which was commissioned by the Global Reporting Initiative (GRI) and conducted by Futerra Sustainability Communications, Sustainability Ltd. and KPMG in 2010 showed that prospective employees are turning to sustainability reports to decide whether or not to work for a company (Global Reporting Initiative, 2010). C.B. Bhattacharya, (2008) has elaborated in his research that with a planned approach, organisations can increase CSR’s effectiveness as a lever for talent management. Another famous research carried out by Greening and Turban (2000) which focuses specifically on few corporate social variables suggests that firms may develop competitive advantages by being perceived as

attractive places of employment because of their performances with regard to quality of products and services, treatment of women and the environment, and issues of diversity.

Thus this study is directed to add to the previous findings in the context of Malaysia and further extend the scope of the study to include several other variables which were not analysed by the previous studies in confirming this motion.

## **1.2 Problem Statement**

As Malaysia moves towards achieving its aspiration to become an advanced nation by 2020, talent has been identified to be a fundamental block in building the nation to achieve this aspiration. However, Malaysia is still struggling to attract and retain talents. New Economic Model (NEM) report by the National Economic Advisory Council (NEAC) depicted that Malaysia is not developing talent and those that we do have are leaving. The need for talented workers are obvious and recent development indicates that successful firms are leveraging on their talents as a competitive advantage (Khandekar & Sharma, 2005). Thus attracting and retaining talents has become a war by itself and firms are puzzled on what makes an organization attractive in the eyes of their workers or potential applicant.

Research suggests that job applicants prefer organisations which have primary values that are in-tandem with their own values and a second stream of research suggests attributes of the organization such as organization's structure or reward system influence an organisation's attractiveness (Backhaus, Stone, & Heiner, 2002).

Supporting the former research, Institute of Corporate Responsibility Malaysia (ICRM) chairman Datuk Johan Raslan believes adopting responsible



practices within an organisation could help the organisation to attract and retain the right workforce (Arulampalam, 2010). This is further supported by a research published in London in 2003; “responsible practice can help to attract, motivate and retain a talented and diverse workforce” (Business in the Community, et al., 2003). Evidence prevails that potential employees refers to sustainable development (SD) reports to decide whether or not to work for a company and this sends a strong signals that employees have high regard of SD practices of potential employers (Global Reporting Initiative, 2010).

Almost all the available studies in these regard are focused on the developed countries where awareness on SD is high. Thus the expected outcome is justified. However, limited studies are available in Malaysia to measure this much celebrated relationship of sustainable development and organizational attractiveness. Further investigation in these regard within the Malaysia context is crucial as previous studies shows that level of awareness of SD among the developing countries like Malaysia is still low (Ramasamy & Ting, 2004). Thus, this study is focused to examine whether the Malaysian business organization’s corporate sustainable business practices able to attract talented workers.

### **1.3 Research Objectives**

The main objective of this research is to establish whether there is a relationship between corporate sustainable business (CSB) practices of a Malaysia’s business organization and organizational attractiveness. The research will establish if at all the CSB practices implemented by organisation creates interest towards the organisation among its prospective employees. The CSB practices which will be

studied are based on the CSB principles covering environmental practices, community relations, workplace and marketplace practices.

Secondly this research is also meant to determine the various preferred CSB practice combinations of environment, community, workplace and marketplace as rated by the prospective employees. Extending to this, the research also aims to establish the most preferred attribute out of the four CSB practices attributes. This is important to enable organisation to prioritise the relevant information need to be communicated considering the significance of certain attribute of SD in relation to other for its prospective employees.

Thirdly, the researcher also interested in analysing the effects of gender and age towards the interaction between the CSB practices and organizational attractiveness.

#### **1.4 Research Questions**

- RQ1. What is the effect of corporate sustainable business practices of an organisation to its attractiveness as viewed by Malaysian professionals?
- RQ2. What is/are the preferred combination of CSB practices, environmental performance, community relations, workplace and marketplace practices rated by Malaysian professionals?
- RQ3. What is the most preferred CSB practice dimension rated by Malaysian professionals?
- RQ4. How social demographic factors such as gender and age moderate the effects of CSB practices in relations to organisation's attractiveness.

## **1.5 Definition of Key Terms**

To ensure common understanding of the concepts and for better understanding of further discussion, the following key terms' definition were referred distinctively.

### **Corporate Sustainable Business Practices:**

In an organization CSB practices occur when “*a corporation adopts and conducts discretionary business practices and investments that support social causes to improve community well-being and protect the environment*” (Kotler & Lee, 2005). Countless standards have been drafted worldwide for integrating SD in business activities. As this research is focused in understanding Malaysian professional's preference towards Malaysian organisations, Bursa's framework for CSR has been selected as the best suited definition for this study. CSB practices cover various activities carried out by organisation following the Bursa CSR Framework provided by Bursa Malaysia. The framework comprises of four dimensions namely environment, community, workplace and marketplace (Bursa Malaysia Berhad, 2010).

### **Organisational attractiveness:**

Job applicants are influenced by the perceptions of the firm's image. The more favourable the organization's image the more chances they will be attracted to the organization. Attraction is defined as “*favourable interaction between potential applicants and the images, values and information about an organization*” (Bratton & Gold, 2003).

**Professionals:**

Talented human capital is the bedrock of high income economy which Malaysia aspires to become. Study reveals that talented Malaysian with tertiary educations make up a major portion of the group brain drain (WORLD BANK, 2011) Thus, this study is focused in addressing this group's preference. Thus professionals are defined as Malaysians with minimum of post graduate qualification with working experience. (Ramasamy, Yeung, & Yuan, 2008)

**1.6 Significance of the study**

Pursue of talent has been an upmost priority for organisations survival. Fierce competition environment has posted a new challenge for organisation to explore all their resources to gain competitive advantage. Many organisation has identified talents as one of their key asset to be leveraged as their competitive tool.

This study will shed light to Malaysian companies in their pursue to attract talents. The outcome of the research will enable firms to decide what are the important information needs to be communicated to their prospective talents in order to attract them and also enable the firms to streamline their SD activities and focus on SD activities which weighs more to their internal stakeholders or particularly to their employees.

Realising the dire state of talent availability, Malaysian government has announced various policies to overcome this. Formation of Talent Corporation which is entrusted to lure Malaysia and foreign talents to Malaysia has been evident of the government seriousness tackling this issue. Thus this study is expected to provide a vital input for Talent Corporation in their effort in this regard.

## **1.7 Organization of the Remaining Chapters**

This research is prepared in six chapters. The first chapter introduces and provides an overview of this study. The second chapter presents the review of various literatures that summarizes previous studies undertaken in relation to SD or CSR, talent and organisation attractiveness. It covers critical opinion and findings of various researcher ensuring all essential factors or variables are given due attention. In the concluding part the researcher will illustrate the framework and hypothesis developed for this study. Chapter three builds on the additional information needed for the research presenting the design of the research, sampling, measurement of variables, the method for data analysis and expected outcome. Chapter four analyzes the results of finding, focusing on various statistical analyses. Lastly, chapter five summarize the overall findings and implications of the research. Limitation of the study, suggestion for future research and conclusions is also presented in this chapter.

# Chapter 2

## LITERATURE REVIEW

### 2.1 Introduction

Brain drain disrupts the core of Malaysia's aspiration to become a high-income nation. Talented human capital is the foundation of a high-income economy. Thus, to realize Malaysia's aspiration of high income nation, it needs to develop, attract and retain talent. Malaysia has been losing in this war for talent. Therefore, this study is meant to explore the possibilities of harnessing sustainable development as a weapon in fighting this war.

In this chapter, the researcher is interested to cover pertinent variables in regards of SD and organisational attractiveness. The theories which have been the basis for this study are given as an appetizer followed by the detailed discussions of all the variables involved. A short conclusion is given in the end of this chapter to summarize the findings and to set the base for the framework which will be discussed in the final part.

### 2.2 Theory

Underlying theories related to organisational attractiveness which has been discussed by earlier literature covers the renowned person to-organizational fit model, social identity and signalling theory. Given below is the short discussion of all the three theories.

#### 2.2.1 Person to-organizational Fit Model

Person-environment fit model which explores the matching or congruence between a person and the environment has been the underlying concept of person-

organization (P-O) fit model. “Person-organization fit is defined as the congruence between patterns of organizational values and patterns of individual values, defined as what an individual values in an organization” (Chatman, 1991).

P-O fit model suggests that workers are attracted to firms that are good match for them, (the organizational culture congruence of theirs) (Sekiguchi, 2004). P-O root suggests that individuals are not randomly assigned to environments but they seek environment which attracts them. Organisation is an example of environment which a person seeks due attraction and fitting in or leaving it depends on the fit (Schneider, 1987). Chatman (1991) suggested that the value of congruence positively related to job attraction, satisfaction, organizational commitment, intent to stay and actual retention. The attraction to a company can be explained by individual and organizational value matches and mismatches and that some of these matches and mismatches are contributed by perceptions of corporate social responsibility (David A. Coldwell, 2007).

The researcher is in view that this model would not be suitable for the purpose of this study. This study is not meant to measure the level of congruence i.e. measuring individual’s values in relation to organisation nevertheless it is meant to assess the level of attractiveness on an organizational level. However, the following two theories are much more suitable and deliberated in details in the following sections.

### **2.2.2 Social Identity Theory**

Social identity theory explains that a person’s self-concept is subjective to membership in different social organisation (Greening & Turban, 2000). In another word, individual tends to define their identity by affiliating themselves to a group and by comparing themselves to a lesser quality group to enhance their self-esteem

(Backhaus, et al., 2002). The affiliation is inclusive of the organization which the individual works (Ashforth & Mael, 1989). Greening and Turban (2000) suggests that a firm's reputation and image partly influenced by knowledge of the firm's action regarding social and political issues and their associated stakeholders. The actions of the firms are seen to portray the image of the workers. The workers will enjoy the benefits of employer's positive reputation and also suffer the unfavourable effects of the firm's negative reputation (Dutton, Dukerich, & Harquail, 1991). Sustainable business practices are seen to boost the image of an organisation thus Greening and Turban (2000) suggested that this will positively affect the attractiveness of an organisation as a potential employer. A prospective employee will establish a positive perception of what it would be like to work for a firm given its encouraging image.

### **2.2.3 Signalling Theory**

Discussing the signalling theory, Backhaus, et al., (2002) suggested that due to limitation of accurate and complete information available about an organisation, a job seekers tend to base his decision on whatever characteristics prevalence about the organisation. The conclusion drawn by the job seekers in this manner is explainable by the signalling theory. Signalling theory suggest individual draws conclusions of an organisation's purpose or performance by means of the clues promoted by it. An organisation can consciously chooses informations that it wants to sent out to its prospective employees in order to draw their attention. For example, an organisation with ISO14001 certification may sent a signal to its potential applicants that the organisation gives due attention of environmental advocacy. Thus, the researches suggest that an organisation's sustanaible business practiceses will sent positive signals to its prospective employees thus increasing the organisations attractiveness.



### **2.3 Importance of talents**

Employees are what constitutes or embodies the entire organization and they contribute to an organization in various ways. Most business owners and CEOs acknowledge the vital role attracting and retaining high quality workforce plays in ensuring their company's success (Lee, 2008). Mckinsey study on 6,000 managers prevails that talent will be the most important corporate resources in the next twenty years (Baharin & Abdullah, 2011). Employees are salient stakeholders because of the significant influence and power they have in relation to the success or failure of the organization (Mitchell, Agle, & Wood, 1997). It is talent that promotes productivity, innovation and creativity which in turn will ensure a sustainable business (Baharin & Abdullah, 2011). Khandekar & Sharma, (2005) summarised various researchers findings which associate human resource management with organisational performance, i.e. stock market performance, return on investment and subjective measures. Even the top performing organizations can be crippled by the loss of experienced and talented employees. Hiring replacements and training new employees involves very high cost and it is estimated to cost on average, between one and two times that person salary and benefits (Kepner-Tregoe, 1999). The lost also spells the lost of valuable ideas for the organization. This explains the reasons for global organisations actions of shifting their focus to human resources with their knowledge and experience, as the essential resource for improving organisational performance.

Human resource is closely linked to organizations 'core competencies', i.e. what the organization does best and how it does that in order to differentiates itself from the rest of its competitors (Khandekar & Sharma, 2005). Human resource is expected to produce competitive advantage because they frequently are unique and

difficult for competitors to replicate (Ehrhart & Ziegert, 2005; Khandekar & Sharma, 2005). It is found to be a significant predictor of sustainable competitive advantage.

Bartlett & Ghoshal, 2002 suggested that human capital is the starting point and ongoing foundation of a successful strategy. Bernardin and Russell (1998) explained that an organisational capability to sustain competitive advantage relies on its ability to attract and retain those workers with skills needed to give the organisations the competitive edge.

Attracting and recruiting workers with the skills related to the core competencies of the organisation are the utmost concern to organizational leaders (Bartlett & Ghoshal, 2002). About 90% of almost 7,000 managers surveyed indicated talent acquisition and retention were becoming more difficult and a survey of 33,000 employers from 23 countries found that 40% of them had difficulty finding and hiring the desired talent (Ployhart, 2006). Recruitment deals with an organization's efforts to identify, attract, and influence job applicants. If labor markets are limited for a given occupation, such as knowledge-based and technical, applicants have a wide puddle of employers from which to choose. Thus, effective recruitment practices are critical as organization cannot efficiently select the highest performing employees without an adequate-sized applicant pool. Whereas when labor-market conditions favor organizations over applicants, organizations still need to compete with each other to attract the best performing talents, and this war for talent is expected to amplify over time given impeding demographic and economic factors (Ployhart, 2006).

Given the importance of talent recruitment to organizational performance, researchers have devoted considerable attention to understand the factors that affect recruitment outcomes.

## **2.4 Organizational Attractiveness**

Voluminous literatures have been written on organisational attractiveness which is beyond the scope of this research to cover all. Thus, highlights of few pertinent researches will be discussed here providing the platform for the research framework. Bratton & Gold, (2003) define attraction as “favourable interaction between potential applicants and the images, values and information about an organization”. Highhouse, et al., (2003) further elaborated attraction as a reflection in individual’s attitudinal thoughts about particular firm as potential place for employment.

As quoted by Ehrhart & Ziegert, (2005), according to Soelberg’s (1967) choice of a job or organization is an “unprogrammed” decision process. Individuals define a set of acceptable criteria on the basis of their ideal work environment. These criteria would cover whatever qualities are deemed personally relevant and important. In assessing the attractiveness of a firm, individuals process information about an organization’s environment or image and choose an implicit favourite job among the alternatives available (Ehrhart & Ziegert, 2005).

Initial attraction of an applicant is influenced by the perceptions of the firm’s image and the more favourable the organization image, the more chances potential applicants would apply (Belt & Paolillo, 1982). The positive signals emitted by the organization as explained in signalling theory could be a beacon in luring attention towards the organization. Wright, Ferris, Hiller, & Kroll, (1995) research has concluded that positive reputation or image of an organization is more successful in attracting high-quality applicants. Organizational image is referred to the general impressions held by those outside the organization (Klaus Moser & Barber, 1998) and the images are constructed from wide range of activities carried out by the

organization (Backhaus, et al., 2002). Various operationalizations (e.g., image, reputation, brand, symbolic attributes) has been used to examined employer image but all converge around the finding that this image has important effects on recruitment outcomes (Ployhart, 2006). For example, Turban & Cable, 2003, demonstrated how the image of an organization operationalised as the organizations's ranking in famous business publications (e.g. Fortune, Business Week), had an effect on its attractiveness. The organizations with high rankings has increased number of applicants.

David A. Coldwell, (2007) has attributed image or reputation to factors such as corporate social performance. Greening & Turban, (2000) argued that the logic behind the rapport between CSR and organizational attractiveness is that an organization's commitment to CSR reflects positively on the organization's reputation and image. Supporting this, numerous researches has been done examining how organization's devotion to CSR has become another main factor in attracting a quality workforce. The results from these studies confirm that prospective job applicants find organizations that are socially responsible more attractive than organizations assigning less attention to social responsibility (C.B. Bhattacharya, 2008; Business in the Community, et al., 2003; Backhaus, et al., 2002; Greening and Turban, 2000). Findings of a research sponsored by the British United Provident Association (BUPA) and conducted by Business in the Community with the Chartered institute of Personnel Development amongst 1,000 British workers aged 25-65 years, prevails that responsible business practices helped to attract and retain talented and diverse workforce (Business in the Community, et al., 2003). According to another study conducted by Students for Responsible Business, shows that more than half of the 2,100 MBA students who responded to the study were

willing to forgo financial benefits (i.e. they would accept a lower salary) to work for an organization that is socially responsible (Albinger & Freeman, 2000). Recruitment consultancies like Kenexa, Hewitt Associates, Robert Half, and Towers Perrin have published figures demonstrating a relationship between environmentally friendly workplaces and committed employees. Online recruitment job site such as Monster, has even established a careers section dedicated to job listings with environmentally conscious companies (Iffrig, 2008).

However, the ability of organisation to leverage its sustainable practices is closely related to its ability to communicate the relevant information to its prospective employees and also to its current employees (C.B. Bhattacharya, 2008). The communication identified as internal branding by C.B. Bhattacharya, (2008) is an important aspects that need to be addressed by the organisations wanting to juice out the most of its sustainable initiatives. *“The business returns to CSR are contingent on stakeholder’s awareness of a company’s CSR activities”* (Du, Bhattacharya, & Sen, 2010) and CSR communications is essential in managing the stakeholders perceptions.

Generally this communication is done via SD reports which captures pertinent if not all the SD related activities of an organisation. Study shows that prospective employees are referring to this report to decide whether or not to work for a company (Global Reporting Initiative, 2010). It has been a bless that Bursa Malaysia has made it compulsory for all public listed companies to report their SD activities annually. Thus, the development of various SD variables for this study is derived from this framework which has been the fundamental building block for implementation of SD in Malaysia’s business sector.

Another important information to be noted is the findings by Albinger & Freeman, (2000), that the significance of an organization being socially responsible is higher for the applicant who has many job choices and Backhaus et al., (2002) commended that the effect CSR has on the attractiveness when the applicant has prior knowledge of or education on CSR, is stronger.

Some of the others researches identified other organizational characteristics such as structural attributes, decentralization decision making (Turban & Keon, 1993), reward system (Bretz, Ash, & Dreher, 1989), financial package and career development (Business in the Community, et al., 2003) to influence the attractiveness of a firm. However, for the purpose of this research, only SD attributes are considered. This other influencing factors such as pay, career development as mentioned above which is considered as contaminating factors are controlled. This is enable better understanding on the effects of SD towards organizational attractiveness.

## **2.5 Sustainable Development**

Series of devastating environmental incidents such as Chernobyl nuclear reactor explosion where the impact far reached to Europe; a leak at pesticide factory in Bhopal India which killed 2,000 people and blinded or injured 200,000 more; agricultural chemicals, solvents and mercury flowed in to the River Rhine in Basel, Switzerland resulting in large scale destruction of fish and the poisoning of drinking water, sparked the concept of sustainable development (Brundtland, 1987). Sustainable Development (SD) first defined by Brundtland (1987) as “*development that meets the needs of the present without compromising the ability of future generations to meet their own needs*”.

Five years down the lane, in 1992 another major milestones was achieved for SD when Agenda 21 was inked. Agenda 21, the Rio Declaration on Environment and Development were adopted by more than 178 Governments at the United Nations Conference on Environment and Development (UNCED) held in Rio de Janeiro, Brazil, 3 to 14 June 1992 (United Nations, 1992). The declaration was meant to propose actions that should be taken into account by every individual, institution and state for improvement in the strengthening of environmental standards in the long term (Amran, Khalid, Razak, & Haron, 2010). In the dawn of the new millennium yet again 147 Heads of States and Governments signed the Millennium Declaration and reaffirmed their support for the principles of sustainable development and Agenda 21.

As the governments demonstrate increasing commitments, sustainability is becoming a key business issue and increasingly important. Business opinion surveys and corporate conduct both show increased levels of understanding of the linkage between good business and responsible business (Bursa Malaysia Berhad, 2010). Institutional investors, financial service providers and investment managers recognise that sustainability conduct that integrate environmental and societal concerns into business strategies can steer superior business performance and be the trademark of good corporate governance and management.

Globally, sustainability is becoming increasingly important, mainly due to these key trends (Bursa Malaysia Berhad, 2010):

- Changing social expectations

Consumers and society in general tend to set higher expectations from companies. The increase has been compounded by recent corporate scandals, which affected public trust of corporations.

- Globalisations

The rapid growth of information technology such as internet which enables borderless information flows. Any 'misconduct' by companies is brought immediately to the attention of the public, especially amongst like-minded people — enabling them to co-ordinate collective action for impact (i.e. product boycott).

- Increasing Affluence

Increasing number of affluent consumers enable them to pick and choose the products they want. An affluent society is more likely penalise organisations by taking their business and money elsewhere.

- Limited Natural Resources

Humans are consuming more than what the world can reproduce. With the scarcity of the available resources, companies turning to efficient and prudent management of the resources.

### **2.5.1 Sustainable Development and Corporate Social Responsibility**

Is SD different from corporate social responsibility (CSR)? Clifton, (2011) argued that SD and CSR are fundamentally same based on the CSR description by Frankental, (2001) that explains: “*CSR is about a company’s long-term footprint on society. It is about the extent to which a company is prepared to examine and improve its impact on all those affected by its activities and to view its long-term reputation within the context of the social and ecological of its operations*”. However, there are many who argues that these terms carry different meanings (Blackburn, 2007). SD seen to be the bigger concept and CSR is considered as one part of it. Despite these arguments the researcher is in view that the terminology SD is much relevant to the current business environment. CSR has been seen riding



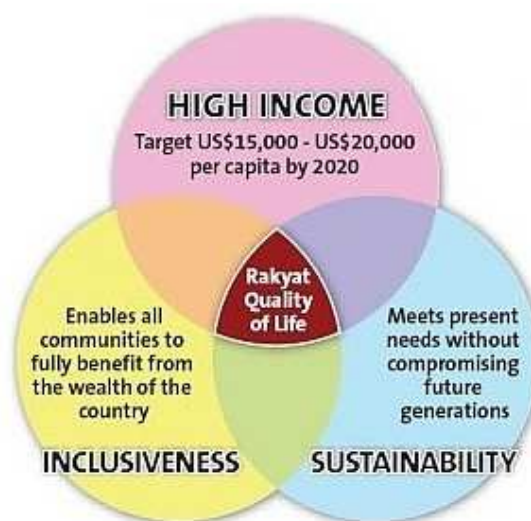
along well with the SD concept (Blackburn, 2007). Furthermore many non-profit organisations such as Global Reporting Initiative (GRI) are strongly advocating SD. GRI has developed a comprehensive Sustainability Reporting Framework that is widely used around the world. Thus, the term SD will be used in this research in preference to CSR.

### **2.5.2 Sustainability Agenda in Malaysia**

In Malaysia, SD specifically has been weaved within New Economic Model (NEM). NEM which define the Strategic Reform Initiatives that will propel Malaysia in becoming an advanced nation has sustainability as one of its three goals (*Figure 2.1, Goals of the New Economic Model (National Economic Advisory Council, 2010)*). Prime Minister of Malaysia, Dato' Sri Mohd Najib Tun Razak has stressed that *“The New Economic Model must include a commitment to sustainability, not only in our activities, but in considering the impact of economic development on our environment and precious natural resources. There is little value in pursuing a future based entirely on wealth creation. Pursuing growth that deplete resources and displace communities will have dire consequences for future generations.”*

The government has shown a strong wills to drive SD deep into its core policies. It has consistently achieved various milestones in sustainability agenda. *Figure 2.2, Key milestones in Malaysia's sustainability journey (Bursa Malaysia Berhad, 2010)* depicts the various initiatives implemented in-line with SD. Even though initially Malaysia has been a laggard in driving this agenda, the current policy makers have shown much interest driving seriously this agenda. Highlight of the major milestone achieved by Malaysia is the setting up of the Ministry of Energy, Green Technology and Water Malaysia (KeTTHA) April 2009. These various

initiatives have been a catalyst for the SD agenda growth within the business community.



---

*Figure 2.1, Goals of the New Economic Model (National Economic Advisory Council, 2010)*

Malaysia's escalating focus on sustainability has resulted in the development of new frameworks for implementation of CSR initiatives for the businesses. The most significant of these is the *"The Silver Book"*, crafted by the Putrajaya Committee on GLC High Performance (PCG). The Silver Book consists of three key objectives as a guideline for all the Government Linked Companies (GLCs) to implement CSR measures.

Furthermore, in September 2006 Bursa Malaysia, launched a framework for the reporting and implementation of CSR activities of listed companies. In accordance with this, all public listed organizations are required to disclose their CSR activities, however it is stressed that all activities are conducted on a voluntary basis.