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A case study of corporate social responsibility by Malaysian government link company

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Abstract

The objective of the study is to investigate the CSR practice by the one of the Malaysian Government Link Company via case study approach. As a GLC's the business has to balance its profit with social responsibility to the state and society. According to the literature in modern era of CSR, the business social responsibility starts when the business determines their act in economic and social obligation. The result of the study shows that the business CSR initiative has changed from altruistic to its core competency. Furthermore, its revise CSR agenda has contributed to the state socio-economic development as suggested by the Father of Social Responsibility on the business social obligation postulate.

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1. Introduction

Bowen (1953) in his seminal book title *Social Responsibility of Businessman* has proposed alternative names for Corporate Social Responsibility (CSR) namely "public responsibility", "social obligations" and "business morality". He suggested that all of those synonyms have to include the impacts of business activities to the state and stakeholders (Bowen, 1953). He explain the word impact as how much the environment; employee, consumer,

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community and others affected by the business activities (Epstein, 1987). His conception explains that the fundamental idea of CSR is the businesses have to assume full responsibility in their economic and non-economic activities to the stakeholders. In other word, CSR is one of the efforts made by them to achieve their economic, environmental, and social activity; while at the same time they have an ability to satisfy stakeholder demands and expectations (Archie B. Carroll, 1979; Archie B Carroll & Shabana, 2010).

As a developing country, the CSR awareness in Malaysia was started as early as the year 2000. The Non-governmental Organizations such as the Federation of Malaysian Consumers Association, Consumers Association of Penang and the World Wide Fund for Nature (WWF) of Malaysia are the institutions that pioneered the agenda in Malaysia. Later, in 2002 one of the Professional Accounting Professional Association namely, the Association of Chartered Certified Accountants (ACCA) have initiated the first CSR reporting awards for Malaysian Companies namely Malaysia Environmental and Reporting Awards (MESRA). In 2009, changes its name to Malaysia Sustainability Reporting Awards (MESRA) to reflect changes in the International CSR development, from responsibility to sustainability.

In 2006, the Government through the Ministry of Finance had established working group consisted of representatives from the Government and Private Sector to develop sound CSR framework for The Government Link Company's (GLC's). As practice in most of developing countries, the state and business is depend on each other to improved people standards of living and country economic development (Albareda, Tencati, Lozano, & Perrini, 2006; Holme & Watts, 2000; Jamali & Mirshak, 2007; Momin & Parker, 2013). Then by the end 2006, the CSR guidelines known as the "Silver Book" was introduce. The 'Silver Books' is a set of guidelines on how the GLCs can contribute to society in a responsible manner's. Hence, as a GLCs, they have to balance the interest between business profit and it social responsibility (Norhayati & Siti-Nabiha, 2009; N. H. W. A. Rahman, Zain, & Al-Haj, 2011). World Business Council on Sustainable Development (is a CEO-led organization founded in 1991) support the idea on the business should contribute to the state economic development, mirror from its CSR definitions' as "continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large". Based on the discussion, the main objective of the study is to investigate the CSR practices through case study methodology, in the one of the GLCs, namely Telekom Malaysia Berhad (TM). The company's is one of the major player in Malaysian Telecommunication market.

2. Literature review

There are limited academic works to track the development of CSR initiative in developing countries particularly in Malaysia (Haque, 2012; Jamali & Mirshak, 2007; Momin & Parker, 2013; Zain, Mohammad, & Alwi, 2006). Factors such as state economic development, difference in political and culture setting, and pressure from International Institutions such as United Nations, MNCs, International NGOs, Ethical Funds Managers, Foreign customers etc., are the factors that have influence the development of the practices by the company's operate in developing countries (Heslin & Ochoa, 2008; Jamali & Mirshak, 2007; Momin & Parker, 2013; Teoh & Thong, 1984). For instance, in the case of Roundtable on Sustainable Palm Oil (RSPO), Nestle one of International food giant company have impose trading condition to the state and local plantations companies in Indonesia, to follow the sustainable plantations guidelines (Chan & Srinath, 2011).

The introduction of Silver Book at end of 2006 to the GLC's, has attract local researchers to do research on the CSR practice in those groups of companies (Atan & Razali, 2013; Esa & Ghazali, 2012; N. Rahman, Zain, & Yaakop, 2011). Studies conducted by Atan and Ghazali (2013), Esa and Ghazali (2012) and N. Rahman et al. (2011), were to investigate the disclosure practices by those company's either in annual report or separate social report, prior, during and after implementations of the Silver Book to the factors that have influence the disclosure activities such as company's size, profitability, industry, board size and etc.

All of three studies found that there were increased in business CSR disclosure activity. However, contradict findings on the disclosure quantity between the studies by Atan and Ghazali (2013) and N. Rahman et al., (2011), with Esa and Ghazali (2012). The former found moderate increased, while later shown significant increase. Further investigation by us found the reason is because of the difference in measurement unit for disclosure activities employed in those studies. Atan and Ghazali (2013) and Esa and Ghazali (2012) used self-constructed disclosure

checklist and N.Rahman et al., (2011) employ word as measurement unit. Due to that, the same results applied to the company characteristics for example size variable have positive influence (5% significant level) to the level of the disclosure in those two studies, but not in Esa and Ghazali (2013) study. Based on our limited knowledge, there is limited research in Malaysia and others similar studies in developing countries on the how the business implements their CSR agenda(Cheng & Ahmad, 2010; Maamoun, 2013).

3. Methodology

As suggested by the prominent authors in qualitative research(Stake, 2006, 2010; Yin, 2009, 2011) and the above literature gap, we decided to employ the case study approach to be our preferred research strategy for understanding the business CSR activity. The method is suitable because case study is; *“an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident”* (Yin, 1994, p 13). The definition by Yin (1994) explains the objective of the case study research is to describe, understand and predict and the subject under study (i.e. process, persons, organization, industry etc.).Along the same line is to understand the processes and other concepts variables that included in the study (Stake, 2006, 2010; Yin, 2011). As for data collection procedure's, this study used interviews, documents analysis and observations. Yin (1994) suggested in order for the result to be accepted and reliable, the data should include as many source as possible.

In this study, for the selection's of respondent, we used multi-perspectives interview (Silverman, 2005). Under this method we have interviewed both management and stakeholders (Aguinis & Glavas, 2012).The management is label as the persons that have direct responsibility on business CSR agenda. While stakeholder is label as the person or groups that affected by business CSR agenda. The division of the two groups is important because we want to get board opinion and understanding on the motivations, process, outcome and finally is the reliability of our result (Aguinis & Glavas, 2012). We have interviewed 11 people's that are related to business CSR agenda. For the data analysis, the interview transcribes, documents and observation note were analysed together using a qualitative method of coding and re-coding (Miles & Huberman, 1984; Silverman, 2005; Stake, 2006, 2010; Yin, 1994, 2009). As compared to other qualitative research methodology, in this research, the data were collected data from the multiple sources, then converged it in the data analysis, which was assisted us to reaching a holistic understanding on business CSR agenda's (Stake, 2006; Yin, 1994, 2009).

4. Result and discussion

TM was listed in Bursa Malaysia, in 1990 and at that time it became one of the largest Malaysian listed companies in term of Market capitalization, though, the government still have controlling stake in the company via government link Investment Company known as Khazanah Nasional (under the Ministry of Finance), so TM is a GLCs. Therefore, the state has an influence to appoint the company's chairperson and directors (Norhayati & Siti-Nabiha, 2009). As at 2009, the company employee is more than 26,000 peoples. Traditionally, TM CSR initiative is more on philanthropic initiatives and there is no specific CSR department in TM. The Corporate Communication Department is responsible for the reporting the initiative and business philanthropic activity. As GLCs, the CSR manager posits that the business CSR initiative is to support the government initiatives and therefore the business CSR Policy is to; *“Undertake social, philanthropic or community development programmes which are align with their business strategies or that will benefit the border interest of the community, while complementing the efforts of the Government towards nation building”* (TM Annual Report, 2006 pp. 207)

With reference to the CSR implementations process, the business apply top to bottom management approach. The policy and principle done by the top management and execute by the responsible subsidiary or department. For example, TM Foundation is responsible for the education initiative, TM Facilities Service Sdn Bhd for the project related to environment, Human Resource department for employee well being and marketing department for customer services. The assurance auditor in it assurance statements (2008, 2009 and 2010) confirms the

business implementation via departmental or subsidiaries. Prior implementations of Silver Book in 2007, the initiative focused on three areas namely education, sports, community, and nation building. The CEO posits that the business CSR agenda should relate to the business value and he labels it as “Reaching Out”. For the financial year-ended 2007, the business CSR expenses amounting RM73.41 million (Education: RM32.05 million, Community and Nation Building: 24.03 million and Sports: 17.33 million) i.e. 0.4 percent from business operating revenue.

The education initiative is under the TM subsidiaries namely, Multimedia University, TM Smart School and TM Foundation. The objective of Education initiatives is to assist government in human capital development in Information, Communication, and Technology (ICT). Therefore, under the new business CSR agenda’s the activity follows its competency in ICT. For TM the two subjects mutually complement each other’s, ICT and education. As such, TM have established and manages Multimedia University (was set up in 1997 at the cost more than RM800 Million and focused in ICT and multimedia education), the first government approved Private University. The objective of the university is to support the development of State Multimedia Super Corridor agenda. Apart from that other subsidiary, TM Smart School objectives to assists the state in smart school programme, collaborate with Minister of Education. Moreover, TM Foundation (established in 1994) is responsible for managing scholarship for local students to advance their studies in local and abroad institutions in ICT and business related area.

The Community and Nation-building initiatives aims to support the community programme and nation-building activities and events. The corporate communication department is responsible for the community and nation building initiatives. The department has own evolution criteria for the public that wants to seek their financial and non-financial assistance. Important initiative under this agenda is to bridge the digital divide in society. For the digital divide initiatives (started in 2001) the objective is to reduce the gap between the urban and rural areas on internet facilities and infrastructure; and also between low income group and middle and high income group. Directly the initiative is to complement various government initiatives under the digital divide i.e. to make communication facilities more assessable for the citizen. The digital divide initiatives carry out with collaboration between many departments in TM. For example, one of the digital divide activities was done in Ayer Lanas in Jeli Kelantan involved TM Net for the internet facilities, TM Smart Scholl for the content, Corporate Communication for reporting and Kelantan state office for implementation and monitoring the activity. Among the direct benefits derived by the company from the activity is increase in number of customers and telecommunications infrastructure. As it has been stated by the Manager MCMC about the long-term benefits derived by the company, *“TM initiative in ensuring that the rural communication abridged saw profits for the company, now his competitors have taken similar steps to be taken by the TM”*.

Finally, the last initiative is to sponsor state sport development and to promote sport tourism. The government required GLC’s business to choose one from eight-core sport activities for growth and sponsorship. TM decides to sponsor the state football development. The activities run by way of sponsorship. The objective of sport tourism is to promote Malaysia as an international sporting venue. Examples of the initiatives are LeTour the Langkawi and Monsoon Cup. LeTour De Langkawi (started in 1996), is run and organised by third party namely LeTour

The business International’s subsidiaries also follow the three CSR initiatives as the evidence from the CEO’s presentations and interview with the manager. He posits; *“All the CSR initiatives by our subsidiaries either in Indonesia or Bangladesh, are in education, sport and community project,”* The statement was supported by 2007 annual report disclosure; *“Other subsidiaries and affiliates initiated their respective CSR programmes for the year in the areas of education, sports development as well as community and regional projects, to help continue the tradition of good corporate citizenry”*. For example in Education, the PT Excelcomindo Pratama, the Indonesian subsidiary, one of the CSR activity was construction of computer labs in selected schools, give computer and provide training for the teacher and student. Another example is in Sri Lanka, the Dialong Telekom Ltd., has construct up special library for visually impaired soldiers.

The business is continuously reviewing it CSR agendas, to suit with current rapid changes in the institutional environment. The manager posits that the CSR feedback and review process in TM is an on-going process. These has help business to identify the opportunities, treat and risk attach into it. As concur by other manager, it is a continuous improvement process; the input is getting from the stakeholder’s consultations. Furthermore, he added

the review process also includes the assurance auditor recommendation in the sustainability report to further improve the business CSR activity to its stakeholders.

5. Conclusion

As GLC's, TM CSR initiatives is to support the government agenda in ICT. In essence, the business CSR policy and principles set by the top management follows Silver Book i.e. CSR guidelines for GLC's company on what companies have to accomplish and why the business choosing specific initiatives. Prior to the demerger exercise in 2007, the business foreign subsidiary initiatives also follow business CSR activities in education, community and nation building, and sport.

The business CSR implementations and process is multi faceted as it involves many departments and subsidiaries. The business has no CSR specific department for planning and implementing the whole agenda. The Public Relations Department is only responsible for the philanthropic initiatives and reporting (internal and external). To ensure the credibility of the report and measurement used, the business appoint assurance auditor to reassure it CSR performance. As a big and leading communication company in Malaysia, with employees more than 26,000, the challenge faced by the business is to motivate and give understanding to their employees, on its intention to improve it business performance by way of sustainability initiatives.

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