Why Does Business Involve in Corporate Responsibility?

"coercive, mimetic, or normative isomorphism"

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Abstract - The study shows that how coercive isomorphism has influenced business to associated its Corporate Responsibility initiatives into business core activity. By employ case study methodology, the research demonstrates that the well defined CR framework, is not only improved business financial performance, but also has changed employee behaviors that lead into business sustainability. Furthermore, our result supports prior litreature on top managment strategic leadership is essential in successful CR planning and implemantation.

Keywords-component; corporate responsibility, institutional theory, framework, case study,

I. INTRODUCTION

To define what is Corporate Responsibility (CR) is an endless task because of the immature concept surrounding CR development, and some unresolved issue between business economic goals and its social costs [1][2][3][4]. Thus, many scholars have proposed that future research in CR should be looking into others critical issues such as framework, which have not been resolved earlier [4]. This is because the new responsibility demands from the stakeholders, therefore a business has to change their CR orientations [4][5][6]. If they have a good CR framework, they can accommodate those demands and by the same time will improve both business profitability and stakeholder's responsibility [6]. Accordingly, the objective of this study is to fill those gaps. Thus, our research tries to discover the possible answer on those issues and propose two research questions on why does business involve in CR? And how business implements their CR initiatives?

To answer the research questions, we employ case study research methodology as our research strategy. The case study research consider as an appropriate method that will give us deeper understanding and to gain border view on the subject under study [7]. We propose to choose DiGi Communication Bhd (DiGi), one of three Telecommunication Company in Malaysia, as our case study company. This is because DiGi was the first company won all categories in the first Malaysian Prime Minister CR award's (launched in 2007) and the result from our earlier quantitative studied was contradicted with prior CR disclosure studies. The data for this study were collected from the DiGi's external documents and semi-structured interviews with DiGi's managements and employees.

WHY DOES BUSINESS INVOLVE IN CR?
Social science researchers have conducted studies to understand why does business involve in CR activities? Their studies explored from different theoretical assumptions in the field of economic and organizational studies. This study employs Institutional theory for its theoretical explanations, for the reason that the core concept of the theory are why and how the business is managed to response pressure or demand receive from its institutional environment. The development of the institutional theory can be observed into three phase, started with old institutional economic, then new institutional economics and current new institutional sociology [8].

The present new institutional sociology hypothesizes that the business social behavior will create its long-term stability and persistence to the institution [9]. Moreover, their behavior is dominated by the external pressure groups [8]. For that reason

the pressure receive by the business will lead to the institutional isomorphism. The institutional isomorphism consists of coercive, mimetic, and normative isomorphism, which describing business behavior [10]. In short explanations, coercive isomorphism refers to business being forced into particular course of action by external stakeholders such as government and society, while mimetic isomorphism refers to business benchmark other companies in the same industry and lastly normative isomorphism refers to how business should be act due to influence by the industry members and professional bodies [11].

There are several reasons why business engages in CR initiatives, either in voluntary or mandatory involvement. From the interviews conducted with the DiGi top managements, we have identified three main reasons why DiGi's involve in CR? It describes how CR begun at DiGi? Prior to this, their CR activities was only on voluntary activity, such as donations, cultural activities and other community related activities i.e. more on philanthropic initiatives. Thus, in the mid-2004 there was changed in DiGi top management, where Morten Lundal, had been appointed as a new CEO. And, from our investigation, change in leadership is consider as an important starting point in DiGi's CR initiatives, i.e. from philanthropic to well connected or defined CR initiative.

In his New Year message he expressed on changes in DiGi's CR practice among otherrs removed the word "social" in corporate social responsibility to corporate responsibility. He said "we drop the word social because of we responsible to our stakeholders not only to society"

Based on the interviewed with the CEO and CR Director, we stimulate with the following anticipated pressure or demand received by the business is another important factor that encourages DiGi to change its philanthropic CR practice.

The first reason is regulatory pressure from the government to the industry. This is because the government mission is to position Malaysia as a regional communication hub. To achieve that, the government has encouraged competitions among telecommunication providers. Among others is the government has reduced the number of telecommunications operator in the country to three operators, where previously had seven operators. Therefore, this factor has influence DiGi to cope with the new policy made by the government.

The second reason is inevitable pressure from the customer. This is because their demands for telecommunication services and products are always in the high side or unlimited due to constant advancement and improvement in mobile content applications.

The last reason was expected pressure received from the industry due to the above two reasons. This is because changes in government policy, customer demands, have directly pressure the industry players. Thus, the critical success factor for the company to sustain in the industry is to offer more creative and innovative product and services.

For DiGi's, to overcome those three pressures, it has to redefine its business strategy that corresponds to the above demands or pressures. Thus, through its CEO's experience, he has introduces and incorporates CR concepts, practice and principle into business. As what he said, "Corporate responsibility must be understood in an entirely new context".

III. HOW BUSINESS IMPLEMENTS THEIR CR INITIATIVES?

The growth in CR concept for the last two decades has influence increased in CR tools, specifically for the voluntary CR frameworks, standards, and guidelines. The purpose of those tools are to help and assist manager in understanding, developing, measuring, implementing and reporting their CR initiatives [12] [13]. As usual, there are strength and weakness of some frameworks or standards. Moreover, there are more than 300 CR standards and tools exist globally, but there is no generally accepted standards for practicing CR [14]. Thus, the manager will face "standard fatigue' i.e. confusion about understanding and suitability of available standards or tools for their business, as well as to balance between costs and benefits to carry out CR activities [14]. As for stakeholders, their

confusion is to identify the appropriate initiative which is suitable for their requirements, as each of them has different needs to business CR initiatives [15].

As for DiGi, the transformation in CR initiative starts with the setting up the CR committee. The terms of references of this committee are to develop the CR framework, lead in CR implementation, measure the CR performance and review the initiatives. The Committee was chaired by the CEO himself and members consisted of directors and managers from various department in DiGi. As pointed out by CEO, "The CEO has to communicate these goals, effectively. In term of taking credit for all good things happen, I believe it's a result of great team effort in all we do. I am always aware that we wouldn't be as successful as we are if weren't for the entire team working together".

To make thing run smoother during the planning and implementation process, DiGi's has set up a CR department. As noted by CR Director, "For DiGi's, CR can't be under PR department. DiGi's CR framework is not stand alone framework, all three elements in the framework is interconnected to each others with the boundaries of CR philosophy". Both CEO and CR Director concurred that "The framework has to be integrated into company's core business, mission and vision, and business strategy. This is because DiGi wants the new CR initiatives becomes part of DiGi's daily business operation. Therefore every CR initiatives will directly affect its internal and external business with the cooperation of various departments in DiGi's".

The newly CR framework focuses on three principles namely: Integrity & Empowerment; Environment; and Community engagement. The three principles are linked together to DiGi's CR philosophy "Doing Great While Doing Good". The CR philosophy serves as working references and has to apply to all business activities and also includes in DiGi's business model. As acclaimed by CR director, "Our CR philosophy is "doing great while doing good" this is because we strive excellence in our business. Stakeholder engagement is important for us because by engaging them in our CR initiatives, it will enhance our reputation" and "Our CR concentrates on people, as this is strategic advantages that make it hard for competitors to emulate" "Full

accountability and transparency will be the bedrock of all DiGi's corporate responsibility program"

A. Integrity and Empowerment

The integrity and empowerment principles are situated on the top of the framework. It's focus on employee. Fairness, transparency and respect are the new internal culture and values embodied in the DiGi's business policy under this principle. To make this done, DiGi's has changed it organizational structure, i.e. from bureaucracy form of organization to flat organization structure. Therefore, under the new organization structure, the job category is reduced to four where previously it has six-teen job grades. Furthermore, all DiGi's employees enjoy the same benefits, regardless their job position in the company.

As noted by DiGi CR manager; "There is still a long way to go. Making structural changes is probably easier than creating dynamic mindset shift in how staff, as an integrated community, values the contribution of all regardless of how different we may be. If we do it right and consistently, we create equal career opportunities for people with disabilities here at DiGi, and as organization, benefit from the efforts and contribution of all". He stress that the new system makes everyone more equal and increased work ownership and empowerment.

His statement was supported by one of the senior manager, "As a senior manager, I did lose some personal benefits but it also made me feel good to see that the people who once work under me would enjoy the same benefits as me, regardless of management level. At the same time because the system made everyone more equal, there was an increase sense of work ownership and empowerment".

DiGi's CR focus on improving employee relations is to spur innovation. DiGi's accept that employee is the important asset to the business. As commented by CR Director, "To us, CR is part of DiGi's DNA. We strongly adhere to the business philosophy of "Doing Great while Doing Good", that is, to keep the principles of responsibility on our radar screen as we strive for excellence in our business. But to be excellence, every organization relies on its

workforce to deliver the best and satisfy its customers. To do that we need happy employees. Happy employee deliver good results. So far, DiGi has proven this theory right." However, as pointed out by DiGi's CR managers that there is easy to make changes in organizational structure, as compare to people mind set changes. For that reason, 30,000 hours were spent for employee training in CR related workshop.

To support the new CR initiatives, the DiGi's new headquarters was open in 2006. The office was designed with open space and few partitions, with no designated seats. This mobile workspace according to DiGi as traditional barriers were stripped off and all staff is shared in same space. These initiatives exemplify DiGi spirit of transparency and clarity and literally free of barriers and walls.

B. Environment

As stated above the DiGi's CR framework is interconnected with other CR initiatives in the framework, as well as embedded into business practices. Under the second principle i.e. Environment, the approach starts with the company's internal program namely minimize environmental footprint. The initiative divided into three key related areas; General Awareness, Energy Efficiency and Recycling, and Waste Management. To make DiGi employees understand, what is all about, a three weeks internal workshop program namely "Turn Up the Heat: Call for Action" was conducted. The purposes of the program were to communication and changed employee mindset and behavior. Additionally, to support the program, positive climate change massages were incorporated into games and lifestyle talks, which made learning experience more fun, interesting and informative.

Furthermore, to lead by example, the DiGi's new office, has demonstrated management commitments towards environmental initiatives where the building has automated air conditioning and energy saving lighting systems. Moreover its telecommunication towers are utilized by solar powered light. The initiative also embedded in the supply chain policy. These CR program also includes others stakeholders such as customers, society and government.

C. Community

DiGi's third principle in the framework is community. The new initiative is more than sponsoring the community activity, as compared to prior philanthropic programs. Its goes beyond the monetary contribution. The initiative is concern on stakeholder's engagement in any CR program made by DiGi's. To DiGi, employee's commitment is the important part in any community project. The aim's is to inspire employee creativity, innovative and unconventional thinking and transfers this thinking to society by project engagement and knowledge transfer.

The most popular DiGi's CR initiative is DiGi's Amazing Malaysians. As like others CR initiatives, this initiatives also have clearly associated with CR philosophy of "Doing Great while Doing Good". DiGi's Amazing Malaysians, is DiGi's investment in building communities appreciation for the preservation of traditional values through education and engagement. As noted by CR director, "DiGi's Amazing Malaysians, is our corporate responsibility programme initiated in 2005, and move resolutely into its second year in 2006. What began as a way to embody our business philosophy – "Doing Great while Doing Good" has evolved to also become a mirror of our growth as a business". Therefore "We focus on relating activities that bring value to our stakeholders, and to community at large, through engagement, conservation and transparency".

D. CR Performance

CR performance measurement is an important factor in determine the achievement of CR framework, initiatives and programs. There are two methods in CR measurement, i.e. financial and non financial measurements. Financial measurement is unproblematic because there are several measurement units available that can be used. For examples share price, market capitalization and Return on Equity (ROE).

In the case of DiGi, from the year 2005 to 2009 (after introduction new CR initiative), the DiGi's share price was increased more than 300 percent i.e. from RM6.30 to RM21.96, while the

market capitalization was increased in the same direction i.e. from RM4.71 Billion in 2005, to RM17.07 Billion in 2009. Meanwhile, for ROE, it was increased from 21 percent in 2005 to 66 percent in 2009.

To compare the period before the implementation of this innovative CR initiatives i.e. from the year 2002 to 2004, the share price was increased by 200 percent i.e. higher increased in percentage but smaller in monetary value i.e. from RM2.00 to RM4.00. As acclaim by CR director, "the financial results shows that our CR initiative is moved in the right direction and have tremendous impact in our financial performance. This success has shown that employees are a key catalyst in the DiGi CR initiative".
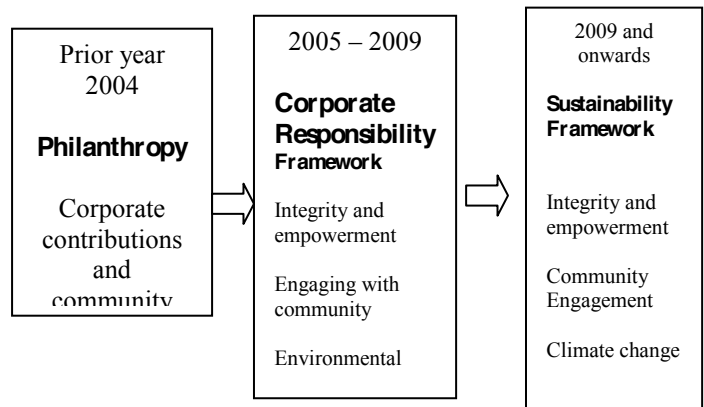
E. CR Review and feedback

DiGi continuously review their CR initiatives and valued feedbacks receive from their stakeholders. The feedback programs such as internal value creation survey, focus group discussion, town hall meeting, customer service week and internet are used to encourage effective two way communications with stakeholders. DiGi also includes others stakeholders, for instance NGOs and media partners in their feedback process.

By doing this, DiGi can explore and understands the ongoing CR issues and demands from different stakeholder groups. DiGi perceive stakeholder engagement program will enhance its reputation and develop a clear market differentiation. This is because those two factors are part of DiGi brand.

After all, the multi related stakeholder approach has shown how DiGi has continuously strives to achieve the true meaning of CR. This is because DiGi always try to find a new ways of "Doing Great while Doing Good" for their stakeholders. The implementations of the CR principles are between the boundaries integrity, sincerity, mutual respect and benefits, and engagement. After half decade of journey in CR implementation, the followings table I shows DiGi's CR initiative that have move from philanthropic to sustainability business initiatives;

TABLE I: DiGi CR IMPLEMENTATION

Prior year 2004 **Philanthropy** Corporate contributions and community	2005 – 2009 **Corporate Responsibility** Framework Integrity and empowerment Engaging with community Environmental	2009 and onwards **Sustainability Framework** Integrity and empowerment Community Engagement Climate change

IV. CONCLUSION

The result from the study shows that how DiGi has mitigated the three external pressures by exploit CR as a platform for organizational change. The new CEO's (leadership role) understands that in order for the business to be competitive and survive, their product has to be creative and innovative, so as to fulfilled subscriber needs and demands. Thus by engaging employee as key CR driver, DiGi's is considered success in implementing sound CR initiative. This can be seen from the improved in financial performance. Furthermore, from the non-financial aspects, the awards received from the third party such as the most admired Innovation Company in Malaysia in 2009 by Wall Street Journal Asia, proved that DiGi's CR initiative is move in the right direction.

From the theoretical explanations, the institutional theory under the coercive isomorphism postulates is helpful in understanding DiGi's explicit CR initiative. Besides successfully in mitigating the pressure received by the business, the managements' strong leadership and their proactive involvement has play a critical role in shaping DiGi CR initiatives. However, most of empirical studies of CR have ignored their role in implementing CR initiatives [16]. This is researchers have previously failed to examine the effect of leader values, ethics and style in regards to CR [16]. But in actual fact, the leaders are

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in a best position to initiatite and influence in any CR strategies and initiatives.

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