

**Industry Centre of Excellence Enhancing Corporate Social Responsibility For Local Small
And Medium Enterprises**

By:

¹Hartini Ahmad

²Shamsuddin Baharin

³Syahrina Abdullah

⁴Lily Julienti Abu Bakar

Centre for University-Industry Collaboration,
Universiti Utara Malaysia,
06010 Sintok, Malaysia

hartini@uum.edu.my ⁽¹⁾; shamsuddin@bhi.org.my ⁽²⁾; syahrina@uum.edu.my ⁽³⁾
julienti@uum.edu.my ⁽⁴⁾

ABSTRACT

The project is the kick-off from the Industry Centre Excellence in Wholesale and Retail championed by Universiti Utara Malaysia. Corporate Social Responsibility (CSR) is the commitment of business to contribute economic development, working with employees, their families, the local community and society at large to improve their quality of life. The aim of this paper is to report the assessment of the Innovative Collaboration for Knowledge Transfer (ICKT) in the CSR project for Small and Medium Enterprises' (SMEs') performance sustainability and identify the main barriers found in ICKT-CSR model. It was found, the ICKT-CSR is the *modus operandi* and catalyst for the wave of paradigm shift in the efforts. Furthermore, the findings showed that the project is carried-out to ensure the economic sustainability, which is a pattern of growth in utilising the resources while nurturing the economy in order to meet both company and SMEs interest for a long-term. It is also to augment the hands-on of the real project among the students and interns who involved in the project. The model is beneficial to be adopted by many businesses to gallop into a global recognition for a CSR excellence of distinction with sustainability.

Keywords: Industry Centre of Excellence (ICoE), Corporate Social Responsibility (CSR), Small and Medium Enterprises (SMEs), Economic Sustainability

**KOLABORASI INOVATIF UNTUK PEMINDAHAN TEKNOLOGI:
TANGGUNGJAWAB SOSIAL KORPORAT UNTUK PERUSAHAAN KECIL DAN
SEDERHANA**

ABSTRAK

Projek ini merupakan permulaan daripada Pusat Kecemerlangan Industri dalam Pemborongan dan Peruncitan yang dijuarai oleh Universiti Utara Malaysia. Tanggungjawab Sosial Korporat (CSR) merupakan komitmen perniagaan untuk menyumbang kepada pembangunan ekonomi, bekerja dengan pekerja, keluarga, komuniti setempat dan masyarakat secara keseluruhan bagi meningkatkan kualiti kehidupan. Tujuan kertas ini adalah untuk melaporkan penilaian terhadap kolaborasi inovatif bagi pemindahan teknologi (ICKT) dalam projek tanggungjawab sosial korporat untuk kelestarian pencapaian perusahaan kecil dan sederhana (PKS) dan kenalpasti halangan utama model ICKT-CSR. Dari segi pencapaian, ICKT-CSR merupakan *modus operandi* dan pemangkin ombak perubahan paradigma dalam usaha ini. Tambahan pula dapatan menunjukkan projek yang dijalankan memastikan kelestarian ekonomi, merupakan corak pertumbuhan penggunaan sumber-sumber di samping meningkatkan ekonomi kedua-dua syarikat dan PKS dalam jangka panjang. Ini juga membantu pelajar dan pelatih dapat melakukan projek sebenar sewaktu melibatkan diri dalam projek tersebut. Model ini boleh dilaksanakan oleh pelbagai perniagaan untuk mendapatkan pengiktirafan global bagi pelaksanaan CSR cemerlang yang berbeza dengan lestari.

Katakunci: Pusat Kecemerlangan Industri, Tanggungjawab Sosial Korporat, Perusahaan Kecil dan Sederhana (PKS), Kelestarian Ekonomi

INTRODUCTION

In recent years, there has been an increasing interest in corporate social responsibility (CSR) as it is an on-going commitment by business to contribute to economic development when demonstrating respect for people, communities, society at large, and the environment as explained by Schultz (2006). Organizations in both public and private sectors have shown an increased interest in CSR, which behave in a socially responsible way as what the society expected (Blombäck and Wigren 2009).

Therefore university and industry working hand-in-hand in the CSR to the society in creating sustainable competitive advantage for the initiatives (Mansley, 2000). An integral part of Innovative Collaboration for Knowledge Transfer (ICKT) is the collaboration with the industry on the CSR project for the target group in the community or society as a whole, particularly are the and Small and Medium Enterprises' (SMEs) in rural areas. The integration allows the students to have the real business experiences while engaging in the project, which advocated a new approach to the learning experiences (Biggs, 1999), which helps students in characters to search for meaning and understanding by inter-relating ideas, take a greater responsibility for learning, and show a concern for skills and knowledge acquisition (Watkins, 1996). This has led to the replacement of the traditional perspective of managing student engagement with the principle of organizing the business's CSR as a set of value-adding processes.

Therefore, the Industry Centre for Excellence (ICoE) becoming the platform for the initiative, which to engage with the industry and the community (SMEs in particular). Since ICoE has been established according to rigorous criteria and contributes to build a creative economy and society, it is practical to the current project. Through the ICoE, the requirements for production and distribution, workforce, and university-industry sustainability projects has been established and progressing to ensure relevance and on-going viability, as well as to identify new areas in emerging fields. In spite of helping university and industry to accomplish the strategic goals, the ICoE Wholesale and Retail is also dedicated facilities to meet both requirements of the partners, particularly the human capital development (HCD) and the technology sharing, in particular the vendor development programme (VDP). Universiti Utara Malaysia (UUM) has been chosen by the ministry as the lead university for the ICoE in wholesale and retail. The need to assess the performance of the ICoE in regular and periodical basis to ensure it achieves the target set

earlier. In other words, the results from this assessment process should provide information that can be used to determine whether or not intended outcomes that university-industry has set are being achieved.

Moreover, ICoE is a platform of the assurance of the employment of the graduates who involved in the structured programmes. Furthermore, the ICoE enable the academia to keep themselves abreast with the new technology trends. The engagement of both academia and industry enable a breakthrough and applying the knowledge from radically new solutions to answers for everyday challenges. Understanding that human capital plays role in determining the production, allocation, and distribution of economic resources and in supporting long-term economic growth, HCD focuses on the structured internship programme (SIP). Successful collaboration partners effectively enhance the HCD by determining the goals of eliminating the barriers between both parties. Thus, HCD via collaborative strategy is developed to achieve the excellence by creating team that combine the best academic thinking with the development expertise of industry to accelerate the process of getting the right candidate or employee for the right job. Specifically, through the ICoE, a higher emphasis upon interactions between university-industry is placed.

The aim of this paper is to report the assessment of the ICKT in the CSR project for SMEs' performance sustainability and identify the main barriers found in ICKT-CSR model.

LITERATURE REVIEW

How Corporate Social Responsibility Comes into Picture?

CSR deals with issues of ethics, governance and environment as well as social issues that are primary concern of CSR. Naturally, scholars have tracked how ideas and concepts in this field have evolved and revolved. Henri de Bettignies (2002) of INSEAD traces the history of the field from its origin in ethics and philanthropy to CSR to what he describes as the more encompassing and integrative logic of sustainability and corporate citizenship.

There is an increased interest in CSR and the need for organizations to behave in a socially responsible way which is becoming a basic requirement of the society. In addition, CSR has been recognized as one of the corporate strategic tools to put one organization in the comfort zone for world-class excellence, to focus on maintaining economic success and achieving commercial advantage by building reputation and gaining the trust of people that work with or live around the organization. Therefore, it is relevant to focus on the SMEs as a catalyst to the economic contribution.

Special Project in Knowledge Transfer Program

Universities are increasing their interaction with industry to play a greater role in the innovation system and resulting in increased knowledge creation and contribution to economic development (Etzkowitz et al., 2000). University–industry links and their impact have been a longstanding object of analysis in various scholarly communities in management studies, the economics, industrial organization, the sociology of science and science studies, and science and technology policy (Agrawal 2001; McMillan and Hamilton 2003; Mowery and Nelson 2004). As these represent the volume segment of activities, one can expect them to be relevant for the performance of economies as a whole. Having said that the knowledge transfer programme (KTP) which focusing on the ICKT-CSR is relevant when ICoE becoming the platform of the initiatives.

Collaborative approach between university and industry has been viewed as one of the main contributors to the successful transfer of knowledge and technology between university and industry. Meanwhile the insufficient interaction of both partners is one of the main factors for the poor understanding of both requirements by university and industry. Conversely, cultural differences and clashes are perceived as a major blocker for collaborative strategy. Some basic assumptions are described, which provide a platform for strategy and these include the right attitude and trust needed to support the partnership and to ensure the collaboration strategy to be successful. Furthermore, both university-industry need to be aware on the people's differences and different work culture, therefore this can help in managing the collaboration partnerships. Finally, it is important to have a trust in collaborative strategy (e.g. Dooley and Kirk 2007; Mowery and Nelson 2004).

As Schartinger et al. (2002) elaborate; universities are meant to play distinct roles: Universities produce human capital through the training of scientists, engineers and researchers. Meanwhile from the industry standpoint, there has been a shift toward the acquisition of knowledge with an academic base, which can then be transformed into production and develops the firm's human capital (Bruneel, D'Este & Salter, 2010; Mead et al., 1999).

An important human capital function includes the general mobility of academia from universities to industry, and through a variety of collaborative arrangements between universities and industry. The quality of human capital in industrial firms speaks to the overall research and production capabilities available in such firms.

FINDINGS AND DISCUSSIONS

In order to assess the achievements of the KTP project, we interview both the company representatives and SMEs (i.e. the recipients) to gauge the performance and main barriers in the implementation of the ICKT. We also interviews the gradate interns to assess the performance of the project.

Barriers of ICKT Implementation

There are many barriers facing the University-Industry collaboration as explained by the recipients or participants in the study. The qualitative results are shown in Figure 1.

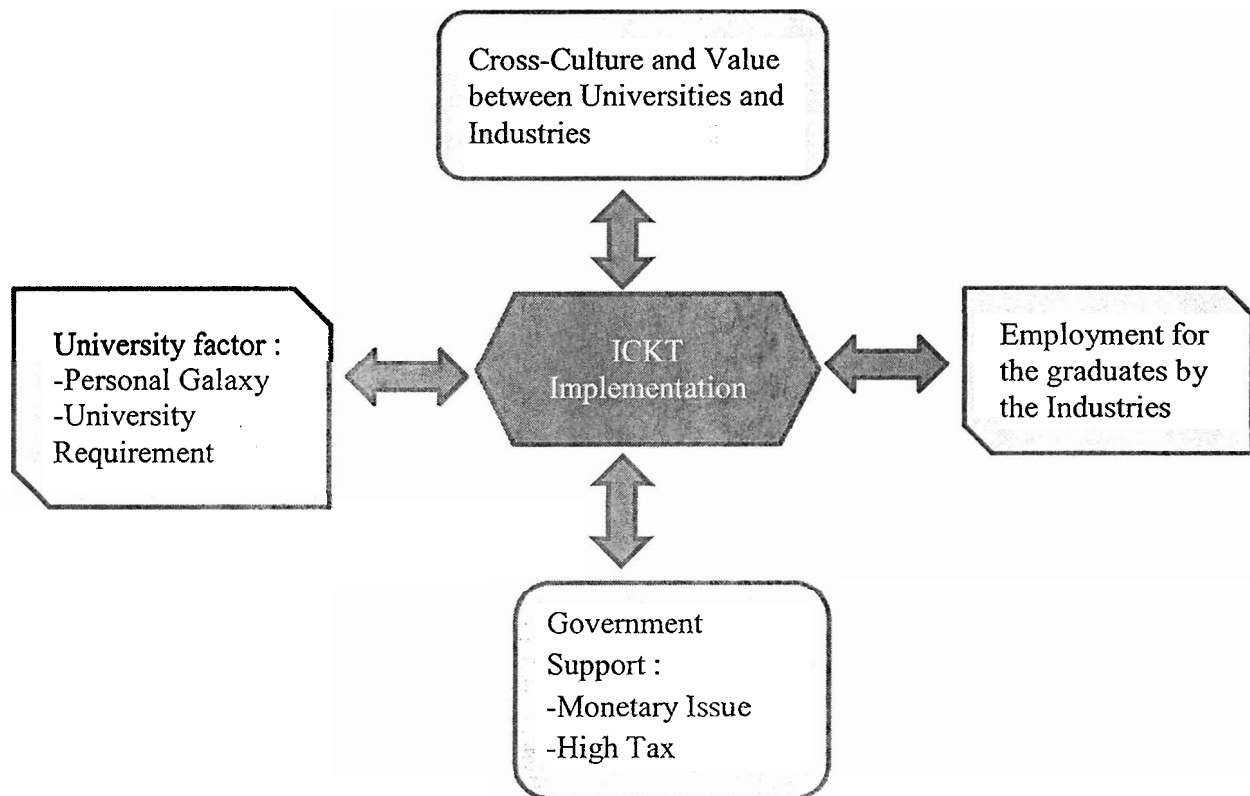


Figure 1: Barriers of ICKT Implementation

Figure 1 above shows some barriers facing university-industry collaboration; however the implementation of the ICKT-CSR on the delivering of the specific project with the industry partner and with the SMEs has minimised the barriers, and discuss as below:

- i. *University factor*: it is always an issue for university that is in collaboration with industries to find it difficult to understand the industrial terrains. This factor discovered to come in two different ways:
 - a. University works on its own galaxy. This is the act of university to believe on it supremacy to do things according to its goal and objectives. Many universities are still working independently and yet to join collaborative ways of attaining competitive advantage.

- b. Difficulties to understand university's requirement. Many industries intend to extend hand of fellowship to the universities but find it difficult to understand the needs and requirements of the universities they want to partner with. This is because of intellectual capital properties that are being taken serious by some universities and refuse to manage knowledge.

However through the ICKT-CSR, both university and industry would minimise the gaps and tried to understand each other needs. The company works with the university to ensure the CSR being carried-out successfully with the SMEs.

- ii. *Lack of support from government:* the university-industry collaboration suffers support from governments of the day either from the central government or grass-root government. This comes in the following ways:
 - a. Monetary issue. Many governments have not been showing their commitment in terms of financing industries that intend to practise collaboration. The small and medium industries have always been lodging complain of lack of financial support from the government that their activities will relieve the rate of unemployment in their domain.
 - b. Exorbitant tax allocation to the industry. The tax being charge the industries by the government is unbearable and is greatly affecting industrial collaboration goals. This has prevented many industries from growth to their visionary levels.
 - c. Lack of government commitment and management. There is lack of commitment from the government to the collaboration. The duties of government should not exclude the development of industries. However, many governments have shown a great unconcerned attitude towards the development of infant industries.

In the ICKT-CSR, government particularly the Ministry of Education (previously known as the Ministry of Higher Education) gives fullest support and commitment to the project in various ways including both monetary and non-monetary. Furthermore, this initiative becoming the national agenda, therefore a closely monitoring system is done to the ICoE to ensure its achievement.

- iii. *Non guarantee of work to the students after graduation:* many industries have shown unconcerned attitudes to the development of graduate trainees to fill the gaps in their industries. Rather, they put their focus on highly value and impact deals. The industries can venture into the universities providing scholarship and fellowships to the outstanding students in order to maximise them by providing employment opportunities after completion of their studies.

A proper framework and structured of the ICoE-SIP has ensured the employment of the students event before they graduated. The same model is used in the ICKT-CSR, where the students engaged in the fieldwork to really understand the real business and be ready to market or workplace.

- iv. *Cross-culture and value between universities and industries:* sometimes, there is a wide disparity between universities and industries in terms of cross-cultural difference which make it difficult to establish collaboration between the duos. This is the prime factor that creates barriers towards attainment of the collaboration. A university that has its background in management has fundamental differences with universities that base on Engineering grand. Industries that specialise in production of industrials tools will definitely encounter variations in terms of culture if they try to collaborate with management universities.

However, through the ICKT-CSR, these barriers have been reduced and both partners try to understand each other and to work in a more innovative ways such as the pool of talent from various universities, polytechnics and community colleges; from various degree levels and qualifications.

Graduate Interns Assessment on ICKT

The next section explains the assessment of the graduate interns upon their involvement in the ICKT. Most of the interns said that:

- 1) Through the ICKT-CSR, it allowed them to be in the real business field so that they could really understand the business and faced the real challenges. This is because, they actually involved in handling the production, customer, market and environment.
- 2) They gained the hands-on skills, in which they could really understand the company and SMEs requirements such as the packaging issues, financial etc. Therefore, they could perform the tasks to resolve the issues faced by the SMEs.
- 3) The interns also had more knowledge and enhanced their understanding on the subject matter, which had been discussed in the lecture and in the text book. Although the interns for the project were chosen based on their competencies and relevant to their field or area, the involvement in the ICKT-CSR has significantly improved their knowledge.
- 4) Other than that, the interns also improved their problem solving and negotiation skills. This is because they had to deal with the costs and savings, profits and losses while doing the special projects with the SMEs. For example, they also need to negotiate the price with the buyers on the products supplies.
- 5) Furthermore, from this exercise i.e. in doing the ICKT-CSR, where some of the interns are placed at the company, the social entrepreneur-minded has been inculcated in them. In the project, where the interns engaged with the SMEs to deliver more on their social responsibility, they can see the contribution of this effort to the economic gaining and sustainability.
- 6) However, in term of the leadership skill was not really being realized as an important improvement in this exercise, because of the focus is more on the SMEs business processes and ecosystem. Therefore, they have applied the knowledge to improve the company CSR as well as the SMEs performance. In addition, the ICKT-CSR was more on the application rather than the theoretical gained.

CONCLUSION

It was found that the benefits of the ICKT-CSR are many though the establishment of effective collaboration presents a complex set of challenges. From the company perspectives, they need to deliver to the society what they expect. The targeted efforts on the CSR with the SME sector are often based on the premises that SMEs are the engine of growth while market imperfections and

- Bruneel, J., D'Este, P. and Salter, A. (2010). Investigating The Factors That Diminish The Barriers To University-Industry Collaboration, *Research Policy*, Vol. 39, pp. 858-868.
- Dooley, L. and Kirk, D. (2007), University-Industry Collaboration: Grafting the Entrepreneurial Paradigm Onto Academic Structures, *European Journal of Innovation Management*, Vol. 10 No. 3, pp. 316-32.
- Estime, M., Drihon, G. And Julien, P. (1993), Small and Medium-sized Enterprises: Technology and Competitiveness, OECD, Paris.
- Etzkowitz, H. and Leydesdorff, L. (2000), The Dynamics of Innovation: From National System and Mode 2 to a Triple Helix of University-Industry-Government Relations, *Research Policy*, Vol. 29, pp. 109-23.
- Ireland, R. D., Hitt, M. A., Vaidyanath, D. (2002). Alliance Management as a source of Competitive Advantage. *Journal of Management*, Vol. 28, No. 3, pp. 413-446.
- Lin, W. M. and Bozeman, B. (2006). Researchers' Industry Experience and Productivity in University-Industry Research Centers: A "Scientific and Technical Human Capital" Explanation. *The Journal of Technology Transfer*. Vol. 31, No. 2, pp. 269-290.
- Mark, M. (2005), Research And Development Active Companies in Denmark. a Survey And Analysis Of SME, Danish Research And Development Active Enterprises, Danish Centre Research Analysis.
- Marri, H. B., Gunasekaran, A., Kobu, B., and Grieve, R. J. (2002). Government-Industry-University Collaboration on the Successful Implementation of CIM in SMEs: An Empirical Analysis, *Logistic Information Management*, Vol. 15, No. 2, pp. 105-114.
- McMillan, G.S. and R.D. Hamilton (2003), 'The impact of publicly funded basic research: an

integrative extension of Martin and Salter', IEEE Transactions on Engineering Management, Vol. 50, pp.184-191

Mead, N., Beckman, K., Lawrence, J., O'Mary, G., Parish, C., Unpingco, P. and Walker, H. (1999). Industry/University Collaborations: Different Perspectives Heighten Mutual Opportunities, *The Journal Of Systems and Software*, Vol. 49, pp. 155-162.

Mowery, D., and Nelson, R. (2004), *Ivory Tower and Industrial Innovation: University Industry Technology Transfer before and after the Bayh-Dole Act in the United States*, Stanford University Press, Stanford, CA.

Oyeyinka B. O. and Adebawale B. A. (2012). University-Industry Collaboration as a Determinant of Innovation in Nigeria. *Institutions and Economies*, Vol. 4, No. 1, pp. 21-46.

Pfeffer, J. and Salancik, G. (1978). *The External Control of Organizations: A Resource Dependence Perspective*, Harper & Row, New York, NY.

Schartinger, D., Rammer, C., Fischer, M.M. and Frohlich, J. (2002) Knowledge Interactions between Universities and Industry in Austria: Sectoral Patterns and Determinants, *Research Policy*, Vol. 31, No.3, pp. 303-328.

State Council of Higher Education for Virginia (2005). *Human Capital Report*.

Walson, T. (2012). *A Review of Business-University Collaboration*, Department for Business, Innovation and Skills, London.

institutional weaknesses impede their growth. Therefore the students (in particular the graduate interns) can learn more while they are engaging with the SMEs through the industry partner in the wholesale and retail. The university interns got hands-on and real-life experiences from the industry. Furthermore, the assessment of the project carried-out is to ensure the economic sustainability through HCD, which is a pattern of growth in utilising the resources in order to meet both university and SMEs interest for a long-term. It can be concluded that the ICoE is a catalyst for the wave of paradigm shift in the efforts which enable the ICKT-CSR to be embarked successfully.

REFERENCES

- Morsing, M., & Schultz, M. (2006). Corporate social responsibility communication: stakeholder information, response and involvement strategies. *Business Ethics: A European Review*, 15(4), 323-338.
- Blombäck, A., & Wigren, C. (2009). Challenging the importance of size as determinant for CSR activities. *Management of Environmental Quality: An International Journal*, 20(3), 255-270.
- Agrawal, A. (2001). University-To-Industry Knowledge Transfer: Literature Review and Unanswered Questions. *International Journal of Management Reviews*, Vol. 3, pp.285-302.
- Biondo, M., Greco, G. And Sanita, M. (1995). The Role of Universities in Developing Innovation in SMEs: An Experience of Co-operation in Reply to the Complexity of Innovation Processes, *Proceeding of the 25th European Small Business Seminar*, Vol. 1, pp. 645-660
- Bozeman, B., Dietz, J. And Gaughan, M. (2001). Scientific and Technical Human Capital: An Alternative Model For Research Evaluation, *International Journal Of Technology Management*, Vol. 22, No. 7/8, pp. 636-655.