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CSR practices in Malaysian unit trust industry: Case study of FGU and PSU

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Abstract

This paper, by employing Robert's (2003) framework of CSR, aims to assess organizations' CSR initiative particularly the voluntary education initiative of two case organisations. The case organisations, FGU group and PSU group, are among the main players in Malaysian unit trust industry. The case evidence was primarily constructed from three main sources, in-depth interviews, documentary review and observation. Evidence suggests that PSU's voluntary education initiative is carried out merely as public relations or as window-dressing exercise. Meanwhile, the evidence suggests that there are mix drivers behind FGU's education initiative which include social and economic factor.

Keywords: Corporate Social Responsibility, Malaysian Unit Trust, Case Study

1. INTRODUCTION

The relationship between business and society are intricately woven and hence it is argued that businesses have a responsibility to respond to societal needs and pressures (Clark, 2000) which go beyond the so called its economic responsibility. Corporate Social Responsibility (CSR) activities have been seen as a method utilised by business to meet the expectations of a broad set of stakeholders. CSR as one means of stakeholder engagement is argued to enable business to be more responsible by considering social and environmental impacts it has to the society, thus through CSR reporting, it may improve accountability. On the other hand, a number of prior researches indicate that business case (to include strategic CSR) is the main motivation that drives business to undertake CSR activities and reporting (see, for example, Green & Peloza, 2015, Doppert & Bennet, 2015).

While other theories such as institutional theory (DiMaggio & Powell, 1983 as cited in Thieng, 2011), stakeholder theory (Lawrence & Weber, 2007; Gray, Owen, & Adams, 1996) have their own strengths in explaining and evaluating CSR, Roberts' (2003) framework of CSR will be mainly used in this study as it provides ways and categorisations to critically assess CSR initiative of the case organisations, FGU group and PSU groups which are among the main players in Malaysian unit trust industry. Roberts' (2003) framework is employed in this study to analyse and differentiate between image and substantive CSR initiative of the case organizations. Further discussion on Roberts' (2003) four frames of CSR is undertaken in the following section.

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2. THEORETICAL FRAMEWORK

In an attempt to critically differentiate between the image and substance in what is claimed as the social responsibility of companies, Roberts (2003) outlines four different versions of CSR. The first version is a negative form where CSR is squeezed out due to intense financial pressure. Here 'the ethical sensibility is routinely occluded in the way that exclusively financial interests, advertised and enforced by the disciplinary processes both within and beyond the corporate hierarchy, have the effect of rendering us defensively or assertively preoccupied with the self' (Roberts, 2003, p. 263).

Termed as the ethics of narcissus, the next category sees CSR undertaken by a company in response to negative external visibility 'by manufacturing the appearance of its own goodness via the production of corporate ethical codes and new forms of social environmental reports' (Roberts, 2003, p. 263), CSR, therefore, is merely as a form of public relations to enable business to operate as usual. This is similar to Bendell's (2005) argument that part of the reasons for CSR initiatives is to manage risks of reputational damage from NGOs, politicians, the media and/or regulators.

The third form envisages CSR as 'new forms of measurement and incentives to motivate corporate to give more attention to the ethical, social and environmental impacts' (Roberts, 2003, p. 1) with the desire for change for an ethical turn within business, this may be genuinely motivated. These efforts seek to give sincere moral sensibility within the corporations by embedding corporate policy beneath the surface of corporation by means of new forms of internal controls and associated rewards and incentives (Roberts, 2003), such as a triple bottom-line reporting technology. Roberts (2003), however, reminds us that such discipline regimes still stimulate a narcissistic self-preoccupation as these forms of remote self-representation can capture only what is looked for and is amendable to quantification. Due to these weaknesses, the remote visibility as captured by organizations is a visibility without sensibility (of responsibility).

Meanwhile, in the final form of CSR, Roberts (2003, p. 1) proposes 'a dialogue across corporate boundary with those most vulnerable to the effects of corporate conducts'. Roberts (2003) argues that only through a face-to-face dialogue with this group of stakeholders, a possibility of informing corporate ignorance of its actual effects as well as of learning to make a reality of CSR can be created. With such a dialogue session the use of other accounting technologies, such as corporate codes and reports can be seen as genuine vehicles to supplement corporate attempts in creating authentic CSR (Roberts, 2003).

3. METHODS

The Case Study Organizations¹

FGU Group

FGU is federal government-sponsored and was incorporated in March 1978. It was conceived as a pivotal instrument of the Government's New Economic Policy to promote shared ownership in the corporate sector among the *Bumiputera*, and develop opportunities for suitable *Bumiputera* professionals to participate in the creation and management of wealth.

Through FGU, substantial shares acquired in major Malaysian corporations from funds provided by Bumiputra Investment Foundation were transferred to a trust fund and sold to the *Bumiputera* in the form of smaller units through its investment-arm subsidiary company, FGUS that was established solely to manage and market their unit trust funds.

By employing this innovative investment model, it ensures that these shares are retained, resulting in the cultivation of widespread savings habits and development of entrepreneurship and investment skills of *Bumiputera*. With funds under management totalling more than RM194 billion, the FGU Group is the country's leading investment institution with a diversified portfolio of interests that include unit trusts, institution property trusts, property management and asset management. To help achieve more effective and efficient management and selling of unit trust funds, FGUS was incorporated in May 1979 wholly as a subsidiary of FGU. In addition, FGUS is also jointly responsible for educating the *Bumiputera* of the benefits of investing in the proposed unit trust launch by the government from time to time.

¹ The name of the case organizations, all are UTMCs, was anonymous to protect their identity.

PSU Group

PSU is a premier asset management company that commenced its operations as a unit trust company in November 1995. It was jointly owned by one of the biggest banking groups in Malaysia and one NYSE-listed global financial service company. It is one of the largest asset management companies in Malaysia with a regional footprint covering Singapore, Indonesia and Thailand. It manufactures and distributes a comprehensive range of unit trust funds, and manages customized portfolio mandates for corporations, institutions, as well as government and pension funds. Its regionally integrated team of dedicated investment professionals offers expertise ranging from equity, fixed income, cash management, and Sharia²-compliant fund management. PSU is a participating unit trust management company under the Malaysia Employees' Provident Fund (EPF) Members' Investment Scheme and is responsible for managing more than RM22.42 billion on behalf of individuals and corporations in Malaysia. Meanwhile, WA, also owned by the same banking group, was incorporated in 1990. Since its incorporation it has grown into one of the largest retail distribution arms in the financial services industry, with a dynamic sales force of about 4,600 FIMM (formerly known as FMUTM) registered consultants and financial planners. Both companies are housed under the group asset management. The synergy from the integration of these companies under this group is expected to bring together a powerful range of strengths that enable the development of innovative products distributed through multiple channels.

Data Collection and Analysis

The case evidence was primarily constructed from three main sources, in-depth interviews, documentary review and observation. The in-depth interviews were conducted with the individuals directly or indirectly responsible for planning and executing the CSR activities and reporting. Ten in-depth interviews were held over a period of 12 months between July 2010 and June 2011 timing allowing the researcher time to discern the organizational patterns and any changes taking place in the case organizations. The first semi-structured interviews were completed in the period July to September 2010 followed by a second round of interviews conducted in April to June 2011 to clarify issues or views from the first interview sessions. Between these two rounds of interviews several phone calls were made and emails were used to follow up any issues that needed further clarification and explanation. These interviews were corroborated with a thorough analysis of documentation (see table 1 for a list of documents) as well as observation in order to make sense of FGU's and PSU's CSR practices.

Each interview, except with one of the regulatory officers, was recorded and lasted between forty five minutes to one and a half hour. The interviews were conducted in English. The interview questions were designed to instigate a conversation about what CSR meant to them, who were the stakeholders, how they practiced and discharged their responsibility and accountability duty. The transcripts and documents were analysed with Nvivo8 software supplemented by manual coding to identify patterns, deep insights and irregularities of evidence gathered from the transcriptions, field notes, and documents reviewed (O'Dwyer & Unerman, 2008). These were used in generating the rich description and interpretive meaning (Miles and Huberman, 1994). Initially a post-interview analysis of transcripts was conducted through a close reading of all transcripts and accompanying notes in order to search for underlying themes in the evidence collected (O'Dwyer & Unerman, 2008). These initial themes were then compared and grouped under broader overarching themes (Bazeley, 2007) which were summarised into a synthesis of the main findings which made extensive use of direct quotations from the transcripts. As part of this process, transcripts were also re-read where deemed necessary (O'Dwyer & Unerman, 2008).

Table 1. Documents Reviewed

Example of Documents Reviewed
1. Annual reports of several funds
2. Prospectuses
3. Annual reports
4. President and CEO speech texts
5. A President and CEO lecture text
6. Tentative programs schedules of financial education exhibition
7. Photos collection of financial education exhibition
8. Booklets
9. Newspaper articles
10. Press Releases
11. Information on companies website

² Islamic law

Observation was conducted at Financial Education Exhibition (FEE) in which FGU Group has been involved significantly. This event is arguably the largest and most significant financial education event in Malaysia (FGU, 2008). FEE has been running for more than a decade and in that period attracted over 1 million visitors. The event had received an award from one public relations organization (FGU, 2008). The event is held in a different part of the country each year to enable more Malaysian to participate. The empirical findings and detailed analysis of the case studies are provided in the following section.

4. FINDINGS

4.1 CSR Initiatives

Table 2 shows that FGU group undertake the investor and public education initiatives as part of their CSR programs, whereas PSU group have these initiatives as their only CSR program. Thus, the ownership structure of the UTMCs might become the factor that could explain the difference in terms of frequency and intensity of the CSR initiatives undertaken by these UTMCs. As government-owned/sponsored or government-related UTMCs, possibly the felt responsibility (Fry, 1995) to their stakeholders, such as the government, the investors, as well as the general public, is the main reason motivating FGU to carry out a number of CSR programs with financial education initiatives as the thrust of the CSR programs. In fact, even other CSR initiatives undertaken by these companies, to a certain extent, are still education-related programs or activities. It is perhaps the ownership structure as well that might explain the reason PSU, other than the investors and the public education initiatives, did not undertake CSR programs. As explained by interviewees from PSU, other CSR programs are undertaken and reported by PSU parent company at the group level.

Table 2. Summary of CSR initiatives

Case organization / CSR Initiatives	FGU	PSU
Investor & public education initiative	✓	✓
Setting up a college	✓	-
Students' sponsorship schemes	✓	-
Setting up a foundation	✓	-
Training schemes for unemployed graduates	✓	-
Organizing programs for the youth	✓	-
General donations	✓	-

While FGU has a wide range of CRS programs and activities it regards the investor and public education initiatives as its main CSR initiative. Hence, the following section provides detailed analysis that focus on the education initiative of both cases.

4.2 Investor and Public Education Initiatives

FGU

Examining the nature and characteristics of the public and investor education initiatives of FGU suggests that they have quite comprehensive education programs in terms of coverage (full year), target groups, modes of implementation which appear to be very well planned. This voluntary education initiative is quite comprehensive and integrated as it targets each group in the society which includes various important segments ranging from schools, higher learning institutions, and government agencies. The variety of the education initiatives seems to ensure that each of the initiatives complement each other in order to reach as many targets as possible at a nationwide level. Knowledge or information disseminated through education initiatives covers basic and intermediate investment knowledge, together with knowledge on financial planning and unit trust investment. Their ability to carry out these initiatives may be influenced by several factors such as strong financial sources, continuous support from the federal government as well as accessibility to main media and availability of relevant experts.

In general, identifying the possible underlying reason that motivates FGU to organize public and investor education initiatives and other CSR initiatives is initially quite a straightforward task. This is because they associate all of these voluntary initiatives with their social responsibility to their stakeholders, for example, the government and the general public. They claim, firstly, the objective of their existence or establishment is to play an integral role in achieving the objectives listed under the New Economy Policy - to improve the economy of *Bumiputera* – which has driven them to be (socially) responsible to educate the public. This motivation is explained by one of the interviewees:

“Like I said earlier it is part of our duties to the government. It is part of our duties to the investors of FGU which is to enhance the life style of the Bumiputera especially, and how we do it, for us we can say part of it involves education, and almost all of the time, the best way to do it is through education. It is how we can help people be aware of the importance of saving and make investors aware of the importance of investment, and to help educate them in the fundamentals of investment.” (Compliance Officer, R14)

An extract from its CEO’s speech seems to provide support to the interviewee’s view on FGU’s role:

It (FGU) is more than just a corporate entity. It is an organization that has been entrusted with a mission, a partner in nation building that has - through its excellent corporate and social practices - helped advance and enrich both Malaysia and her people in more ways than one. (FGU, 2007)

However, evidence from observing Financial Education Exhibition (FEE), in which FGU Group has been involved significantly, has helped the researcher to unfold secondary – economic and political - motivation (Roberts, 2003) underlying this significant education initiative that has been recognized as a national event. From the observation, it seems that the FEE is not simply an educational event in creating awareness among the public about unit trust investment. The FEE is also a venue used by the FGU group to show and share their achievements and contributions - economically and politically - to the country and indirectly to allow the public to be aware that FGU has a strong portfolio of (unit trust) investment. Hence, the message that might be sent to visitors was “believe in us, continuously support us and invest with us as we have an excellent track records and strong investment portfolio”. In addition, as a government-linked company, all success stories or achievements made by FGU and its subsidiaries that are ‘displayed’ to FEE visitors indirectly reflect the reputation of the government as well.

It is not fair, perhaps to identify FGU education initiatives as secondary or other motives based merely on this single event. Moreover, as noted by Griffin and Prakash (2010), empirically, it is very difficult to know the actual motivation as opposed to the declared motivations behind an action. However, given the reputation, significance and impact of FEE as a national event that has been held annually since 2000 (where every year the opening ceremony is carried out by the Prime Minister), has attracted over one hundred thousand visitors each year (more than one million in cumulative figures), it might be justifiable to suggest FEE, if not all FGU education initiatives, has been organized not only for education purposes, but to secure continuous support and create confidence among the investors and public as well as a means for image or reputation building (Roberts, 2003, Doppert & Bennet, 2015).

To some extent, this educational event might reflect Roberts’ (2003) argument that stakeholder engagement initiatives such as CSR is no more than an organizational public relations exercise to enable an organization’s operation to be carried out as usual. The mix of drivers of the event may, perhaps, best be expressed by one of the interviewees when being asked about the reason(s) of FGU involvement in FEE:

“Yes, (to create) confidence so they will believe in FGU and they will continue to support FGU and I think that is crucial to sustain, to reap opportunity in the future. We give exposure about FGU to the young generation since they are really young. So then when they grow up and they work they know about FGU and they trust us because we are not like any other ordinary unit trust companies. We have social objectives.” (Vice President, R18)

PSU Group

Examining the nature and characteristics of the public and investor education initiatives of PSU group suggests this company target specific groups by employing specific means. First, the free investment seminars that are declared open to the public; although the seminars are open to everyone, these seminars have been organized only at big cities like in the Klang Valley area and Penang, usually conducted in ‘high-class’ venues such as hotels. This means only certain groups of people are able to participate, particularly those who live nearby and perhaps who can afford to invest. These people, of course, might be from the middle-income group and not from poor rural areas. In addition, since these ‘public’ seminars are conducted in English only certain groups of ‘public’ - who can speak and understand English - will be able to participate and benefit from these seminars.

Meanwhile, in terms of topics covered in the seminars, the evidence indicates that the topics are quite advanced and heavy. Although on one hand covering such advanced topics will be helpful to elevate participants’ financial and investment knowledge, on the other hand, discussing or presenting these advanced topics may merely attract certain groups of people to attend these free public seminars. Concisely, taking into account the characteristics of the free public seminars what can be concluded is despite its declared target - the public, open

to everyone - this seminar seems to be designed to attract certain (actual) targets most likely possible potential investors. Next, in regards to the publication of articles in newspapers, journals and magazines, the articles' publication in leading newspapers have been undertaken with the aim of reaching wider target readers as expressed by one interviewee:

"I think you know PSU itself has been writing article after article in The Edge magazine for example in The Star newspaper... we do our part we tell them we share with them about retirement, we do our part, part of our public education initiatives and helping the SC to educate the public as well". (Associate Director, R16)

However, it is argued that the publication of articles in financial magazines and professional journals will only reach a certain group of readers, as admitted by the same interviewee:

"...you are not able to reach out to the mass I mean not many people read The Edge magazine for example... So you talk about that thing with people who are already interested in the business". (Associate Director, R16)

Thus, again, it raises the question of who are the 'public' that these companies are actually aiming at. Meanwhile, knowledge or information disseminated through these means range from basic to advanced topics of investment and financial planning issues that may be appropriate for the intended targets, the investors and the public, which in here can be assumed as potential investors.

Other interesting points are the PSU in-depth market audit of the Malaysian unit trust industry and the public perception of the industry survey, which added with PSU's other education initiatives, has enabled the company to win the Most Innovative Awards for Investor Education by Asia Asset Management in 2009. For all these efforts, PSU was recognized for its exceptional education initiatives in 2008 in creating awareness amongst investors on unit trust investment.

Evidence, however, suggests that the end result of both initiatives was mainly for PSU's –economic- benefit (Roberts, 2003) rather than the investors as "...The survey resulted in a greater understanding of the investing behaviour of Malaysians nationwide, which benefited industry players in meeting the needs of their investors...With the results of the audit, PSU was able to re-focus all training of its unit trust agencies and bank affiliates' sales force to emphasize on an asset allocation approach combined with a regular investment savings habit. This approach was adopted by many investors and success was attained and measured when there was an increase in investors utilizing their EPF³ Members Investment Scheme for unit trust investments." (Extract from PSU press release, PSU, 2009). This finding, to some extent, reflects Roberts' (2003, p.257) argument that "If ethical conduct is to be judged by its consequences, then the prime beneficiary of this manufacture of appearances is the corporation itself".

The commercially or profit-making driver of their education initiatives is even more explicit in a statement made by the company's CEO which is as follows:

"Going forward, we will continue to educate the public and at the same time offer them a comprehensive series of products that range from domestic and international funds, Islamic and conventional funds, money market funds and bond funds. These factors have enabled us to stand out in the market and we have been duly recognized." (PSU, 2009)

Based on this motive, the education initiative carried out by PSU group to a certain extent, reflects Roberts' (2003) concern over CSR initiatives that are carried out merely as a public relations or as window-dressing exercise (Roberts, 2003). They are doing it to be seen as good (Roberts, 2003). In addition, the voluntary education initiative of PSU group could be regarded as a symbolic action in the sense that it is undertaken in establishing the company's legitimacy (Lindblom, 1994) or reputation and business case (Thien, 2011, Green and Pelozo, 2015, Doppert & Bennet, 2015). This motive, however, is hardly surprising given the context, nature of the PSU business operation as well as its ownership where financial performance is vital to the survival of PSU business.

5. CONCLUSION

The evidence suggests that FGU's voluntary education initiatives target a broader group of people encompassing almost all levels of society which covers important segments in the society such as school students to retirees. Meanwhile, for PSU, although some of the mediums used are able to reach a wider target,

³ Employees Provident Fund, a government pension scheme for government staff.

overall, as discussed and analysed, many of PSU and WA's education initiatives have been designed to target certain groups of people who are, probably, potential unit holders.

In respect of (long-term) drivers of these education initiatives, FGU's felt responsibility (Fry, 1995) to give back to the nation and the society by aiming to play a vital role in building an investment-savvy society has motivated FGU's education initiatives to a great extent reflects Roberts's (2003) third form of CSR as 'new forms of measurement and incentives to motivate corporate to give more attention to the ethical, social and environmental impacts' (Roberts, 2003, p. 1) with the desire for change for an ethical turn within business. On the other hand, PSU while seemingly struggled to balance its profit-driven motive with its intention to 'serve' the public has been driven mainly by its commercial motive in undertaking its education initiatives voluntarily. Like Roberts, this study observes PSU's voluntary education initiative as

New forms of external visibility, the desire to be seen to be ethical that they stimulate, and the manufacture of ethical appearance that is the corporate response serve only to facilitate 'business as usual'. (2003, p.257)

Hence, it is important for stakeholders of an, which include investors, the public and regulators, as well as future studies to not only rely on the 'hard' elements of organization's CSR programs such as forms and frequency but to assess as well the 'soft', substance elements which include intention and motivation in order to differentiate between authentic, substantive from image, window-dressing CSR agenda.

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