An Overview of CSR Practices and a
Multiethnic Society: Malaysian Perspective

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Abstract: A study of Corporate Social Responsibility (CSR) has become the subject of research for many academias in the field of business studies. Despite increasing attention has been accorded to CSR in developed countries, very few is known of the research of CSR in developing multicultural, multiethnic country like Malaysia. With about 27.5 million people, Malaysia is made up of three main ethnic populations, namely; Malays, Chinese and Indians. The fact that Malaysia has diverging ethnic groups and cultural system, this study addresses an insight analysis of CSR from a different perspective. The study seeks to find out the level of CSR understanding of the Malaysian executives in the financial services sector across different ethnic groups. A total of 376 responses were collected and analysed in this study. The questionnaire was used to measure the perceptions of the respondents towards several CSR issues. The findings across ethnicity of the respondents revealed that in general, there is no homogenous consensus. The finding clearly demonstrates differences of perceptions among Malay, Chinese and Indian respondents. This is potentially a significant finding, since culture gives a significant impact on people attitude, behaviour and perception.

Key words: CSR, culture, ethnicity, financial sector, managers, perceptions, Malaysia

INTRODUCTION

The importance of CSR commitments and initiatives may have a direct impact on the success of the future business atmosphere, as many organisations worldwide have come under pressure to comply with the international standards (Miller, 2008). Along with the increasing pressure on the corporations from the public and the government, Malaysian companies have to find ways to comply with the standards. The country's vision to become a developed nation by 2020 may pivot on its ability to meet many of the challenges that arise from globalisation, increasing competition and raising expectations from the customers and society. Wad and Chong (2008) believe that the financial crisis of 1997/1998 in East Asian region has given impact on the political perception of corporate governance and nurtured the rise of new CSR discourse by both the public sectors, as well as the private sectors in this country. It is argued that business corporations not only have economic responsibilities of being profitable and legal responsibilities to follow the laws and regulations that guide their ability to achieve economic purposes but they also have ethical responsibilities that include a variety of cultural norms and standards (Carroll, 2000).

In the case of Malaysia, business environment is largely influence by the multi-ethnic society where each ethnic group has been able to retain its fundamental culture, beliefs and traditions (Schermerhorn, 1994). The differences in the cultural values could also lead to differing views on what is considered right or wrong in one culture or inappropriate in another culture (Frederick et al., 1992). Therefore, this study provides meaningful literature to explain cultural impacts on CSR practices. The main objective of this study is to explore the perception of different ethnicity groups in relation to CSR practices in Malaysia.

Corporate social responsibility: Defining CSR is complicated as it brings different understanding to

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different type of people. In fact, this scenario leads to a variety of definitions of CSR adopted by different groups specific to their own interests and without a single consensus agreement (Shahin and Zairi, 2007). Carroll (1999) for instance, point out that over 25 different conceptual definitions of CSR within published academic papers. One of the mainstream definitions which incorporated in the Commission of the European Communities and the Financial Times Top 100 Index is: CSR is corporations being held accountable by explicit or inferred social contract with internal and external stakeholders, obeying the laws and regulations of government and operating in an ethical manner which exceeds statutory requirements (Bowd *et al.*, 2003).

The basic idea of CSR is that corporations should take into account activities beyond profit making which include protecting the environment, caring for employees, being ethical in trading and getting involved in the community (Carroll, 2000). This view contrasts with the perspective that CSR is seen, as a strategic tool to achieve economic objectives and wealth creation (Garriga and Mele, 2004). Representative of this school is the well known Friedman (1970) viewpoint that the only responsibility of business towards society is the profits maximisation to the shareholders within the legal framework and the ethical custom of the country. According to this view, by pursuing social and environmental objectives, businesses may ultimately hurt shareholders by generating lower profits (Blowfield and Frynas, 2005). Friedman (1970) argue that business community has no specific moral or social responsibility and any engagement in social and environmental activities should be done as private individuals' commitment at their own cost. Other scholar, such as Theodore Levitt also shared the same position like Friedman. Levitt (1983) suggests that the function of business corporations is to maximise profit through vigorous competition in any way consistent with the survival of business in the economic system while the government is responsible for the general welfare (Klonoski, 1991).

On the contrary, other school of thought believes that economic aspect (profit) is not the only social responsibility of the business community. This group argues that business depends on society for its existence, continuity and growth. As a consequence, business organisations should take into account social demands and integrate them in such a way that the business operates in line with social values (Garriga and Mele, 2004). Arguments in support of CSR are based on ethical or instrumental rationales. Ethical arguments are derived from religious principles, philosophical framework or prevailing social norms. Jones (1999) asserts that business organisations basically are compelled to behave in a socially responsible manner because it is the morally correct to do. He further argue that ethics-based advocates of social responsibility generally support, such behaviour even in instances in which it involves unproductive resources expenditure for the organisation. Vaughn (1999) claims that business involvements in strategic CSR activities should properly be viewed as investment in a goodwill bank which yields long-term financial returns (McWilliams and Siegel, 2001). In practice, several studies have been carried out to determine the correlation between CSR activities and financial performance. Almost all results show a positive correlation between the two variables (Frooman, 1997; Griffin and Mahon, 1997; Key and Popkin, 1998; Roman *et al.*, 1999).

In the past decade, Europe has become captivated with CSR and there is considerable evidence in formal writing, publication, research and seminars. In recent time, evolving global business norms have bring together activists, media, communities and non-governmental organisations, such as the World Resources Institute (WRI), Global Reporting Initiative (GRI) and International Standard Organisation (ISO 14000), an initiatives towards improving and implementing corporate social involvement of the worlds' business community (Godfrey and Hatch, 2007). Nevertheless, very few are known of the research of CSR in developing countries. In addition, research into CSR in Asia Pacific region has been varied and incomplete (Teoh and Thong, 1984; Andrew *et al.*, 1989). Belal (2001) noted for example most research done so far in this area concentrated in Western Europe, USA and Australia.

In contrast to the developed nations, CSR practice has had a low start in Asia. Even, academic research into CSR in developing countries is still limited and underdeveloped. Not many studies have been conducted to test and develop a viable CSR framework in this part of the world where social responsibility initiative is uniquely associated with various cultures, religion and traditional norms. Most of the CSR literature in developing countries focuses on Asian region with a significant attention on China, India, Malaysia, Indonesia, Thailand and Pakistan. Chapple and Moon (2005) and Sriramesh *et al.* (2007) claim that the way CSR is practiced and perceived in Asia is not homogeneous as it is shaped by different culture, religion, political and socio economic condition. Therefore, there will be a significant difference of CSR practices across different countries and regions (Bronn and Vrioni, 2001).

Culture, ethnicity and corporate social responsibility in Malaysia: Malaysia is a federation of thirteen states and three federal territories. Malaysia stems from the various ethnicity mixes with the three largest communities in it heterogeneous population. With a population of 27.5 million people (DOSM, 2010), the majority is made up of people regarded as being the indigenous peoples of the country known in Malay as bumiputera (literally meaning sons of the soil). They comprise of 61.4% of the total of this percentage, Malays comprise 50.4% and non-Malay bumiputera the remaining 11%. The bumiputera are followed by Chinese 23.7%, Indians 7.1% and others 7.8%. In terms or religion, about 60.4% of the population are Muslims, 19.2% Buddhists, 9.1% Christians, 6.3% Hindus and the remaining accounts for various minority faiths. In business context, it seems that managers in Malaysia from dissimilar ethnicity background give different impacts on the way business is conducted and thus influence differences in work values, beliefs, perceptions and orientation of business practices (Selvarajah and Meyer, 2006).

Table 1 describes the differences between cultural values of the Malays, Chinese and Indians in Malaysia. It is worth mentioning the fact that the Malays possess strong Islamic affiliations, respect for elders and more concerned with balanced work and family life. The Chinese on the other hand, appear to be indifferent or have less concern on religious matters (Rashid and Ho, 2003). They are motivated with financial rewards, aggressive, self-confident and having strong family relationships (Pye, 1985; Mastor *et al.*, 2000). The Indians are characterised for their loyalty, hard work, egalitarian and organisation abilities. They also value faith, fear of God, sense of belonging, karma and filial piety.

Many researchers recognise that culture is a very important variable that may influence the attitudes and behaviour of individuals (Saufi *et al.*, 2002). According to Hofstede (1980), culture is defined as the norms, values and beliefs of a particular area of location and shared by its members. This definition synthesises that norms, values and beliefs system can influence the members of

the community to behave and act in a particular way considered acceptable by the other members in the group (Rashid and Ho, 2003). Some researchers such as Newman and Nollen (1996) and Kanungo (2006) argue that cultural differences are indeed important in determining business decision and management practices. For instance, a cross cultural study conducted by Alderson and Kakabadse (1994) indicate that differences in national culture give impact on management decision making. The results from the study showed that managers in the United States perceived employee safety, bribes, expense account fraud and animal experimentation as less important issues than the perception by the Irish and British respondents.

Cultural differences are also argued to have an impact on people's attitudes and perceptions towards CSR. A study by Orpen (1987), involves an assessment of managers' perceptions in United States and South Africa. About 164 respondents from United States and 151 respondents from South Africa were asked about general statements, arguments for and against CSR, as well as their perceptions towards corporate involvement in various social programmes. The results showed that United States managers are more favourably disposed towards CSR then their South African counterparts, more likely to agree with argument supporting CSR and less likely to agree with argument against CSR. On top of that United States managers are more likely to feel pressure to engage in socially desirable activities. Another study by Ramasamy and Ting (2004), shows that employees in Malaysia tended to have low level of CSR awareness generally lower that found in Singapore. However Rashid and Ibrahim (2002), argue that the low level of CSR awareness in Malaysia may improve as there is evidence of increase positive attitude towards CSR from senior-level managers. Another study by Chapple and Moon (2005), contend that different countries in Asia focus on different CSR initiatives. Countries such as Malaysia, Thailand and India emphasise more on community involvement while South Korea involves in production process.

MATERIALS AND METHODS

This study adopts cross-sectional design or survey design. The population consists of executive managers from financial sectors in Malaysia. The respondents were randomly selected using stratified random sampling from different segment of financial institutions namely; commercial banks, investment banks, brokerage firms, fund management companies, insurance companies, unit trust companies and large public fund organisations. The

Table 1: The cultural values of three main ethic groups in Malaysia

Malay values	Chinese values	Indian values
Respect for elders	Food	Fear of God
Spirituality/faith in God	Hard work/diligence	Sense of belonging
Humility	Pragmatism	Brotherhood
Self respect	Perseverance	Family
Tact/indirectness	Education	Hard work
Generosity	Wealth/prosperity	Filial piety
Sensitivity to feeling	Family oriented	Karma
Politeness	Harmony	Champion of causes
Relationship	Risk taking	Loyalty
Apologetic		

questionnaire mailing and follow-up generated 384 responses, out of which 376 were usable (valid and completed). The questionnaire items were designed to examine the perception of respondents towards various issues supporting CSR practice. It consists of 7 statements modified from the instrument developed by Davis (1973) and Orpen (1987). The respondents were asked to rate all items on a 5-point Likert scale. The preliminary analysis (reliability test) carried out in this study indicates that the value of Cronbach's alpha coefficient for all seven items is 0.891. Therefore, the questionnaire items signify a satisfactory high degree of internal consistency for further statistical analysis.

RESULTS AND DISCUSSION

Background of respondents: As depicted in Table 2, most respondents were predominantly male. Nearly, three quarter of the respondents were male (72.1%) compare to female (27.9%). The combination of respondents between age 31-40 and 41-50 represents 73.2% of the total respondent. Relatively, few were either below 30 years of age (10.4%) or over 50 years of age (16.5%). The distribution of age indicates that the perceptions of respondents towards CSR understanding and practices in Malaysia will be dominated by the opinion of the middle-aged respondents. The majority of the respondents (34%) had >20 years working experience while only 8.2% of the respondents had only 5 years of working experience and below. A quite similar distribution of respondents can be seen for working experience ranging between 11-15 years (21.3%) and 16-20 years

Table 2: Background of respondents by gender, age and working experience

Variables	Frequency	Percent
Gender		
Male	271	72.1
Female	105	27.9
Age (years)		
30 and below	39	10.4
31-40	139	37.0
41-50	136	36.2
51 and above	62	16.5
Working experience (years)		
5 and below	31	8.2
6-10	55	14.6
11-15	82	21.8
16-20	82	21.8
>21	128	34.0
Ethncity		
Malay	243	64.6
Chinese	113	30.1
Indian	20	5.3
Religion		
Islam	247	65.7
Buddha	61	16.2
Hindu	12	3.2
Christian	45	12.0
Others	11	2.9

(21.8%). The positive direction between the number of respondents and the working experience occurs because the sample of this study focuses more on the higher level executives who generally posses more experiences. As for ethnicity group, the result shows that majority (64.6%) of the respondents were from ethnic Malay followed by 30.1% of ethnic Chinese. About 5.3% of the respondents were from ethnic Indian. It appears that the distribution of the respondents by ethnicity in this study pretty much has a similar pattern to the demographic population of Malaysia. The results interestingly reflect the pattern of ethnic group composition in Malaysia, in the term of bumiputera and non-bumiputera population. The distribution of religion indicates that 65.7% of the total respondents were Muslim. The Buddha and Christian religions constituted at 16.2 and 12.0% of the respondents respectively and a quite similar distribution of respondents can also be seen from the Hindu (3.2%) and the other (2.9%) religions.

Understanding of CSR from multi-ethnic perspective: This study reveals, the respondents perception towards various statement on CSR issues across the ethnicity groups. There are three main ethnic groups to be studied in this research namely the Malay, Chinese and Indian. Since, both culture and ethnicity are expected to reflect on different ideology and perception, it is assumed that financial executives with a different ethnicity background in Malaysia can also have different perceptions towards CSR issues. In order to investigate whether ethnicity of the respondents has any significant difference towards CSR issues, Kruskal-Wallis test was applied in this study.

As presented in Table 3, the results of the Kruskal-Wallis test reveal that statement 1-6 show significant differences on ethnicity of the respondents towards CSR issues at 0.05 probability level (p<0.05) with 2 degrees of freedom. The significant level of statement 1, 2, 4, 5 and 6 are 0.001, 0.000, 0.025, 0.016 and 0.004, respectively. On the other hand, there are no significant differences (p>0.05) that can be found on ethnicity of the respondents concerning statement 3 (p = 0.080) and 7 (p = 0.121). This finding may suggests that the ethnicity of the respondents might give an impact on their perceptions towards social responsibilities issues in Malaysia across 5 out of 7 statements. To describe the pattern of responses more clearly among ethnicity of the respondents, the means rank of each statement is displayed in Table 3.

To summarise, the findings indicate that ethnicity contributes significant differences on several social responsibility statements. The analysis reveals that each

Table 3: Respondents' perception across ethnicity background

Statements	Ethnicity	Mean rank	Chi-square	Mean	df	Sig.
Business can avoid further regulation by adopting social	Malay	198.51	14.842	2.96	2	0.001
responsibility programmes	Chinese	159.15				
	Indian	232.70				
The increasing involvement of business in social responsibility	Malay	208.97	29.110	3.74	2	0.000
may encourage investment opportunity	Chinese	152.56				
	Indian	142.80				
Business should realise that it is part of the larger society and	Malay	184.78	5.059	4.09	2	0.080
therefore it should respond to social and environmental issues	Chinese	202.54				
	Indian	154.40				
Contributing to the solution of social problems such as poverty	Malay	193.94	7.396	3.35	2	0.025
and crime can be profitable	Chinese	169.81				
	Indian	228.05				
Voluntary regulation is not sufficient to ensure business	Malay	178.37	8.309	3.62	2	0.016
involves in social activities	Chinese	202.41				
	Indian	233.00				
Corporate social programmes can help build a favourable	Malay	198.17	11.104	4.17	2	0.004
image for a business	Chinese	178.72				
	Indian	126.30				
Business should integrate social responsibility programmes	Malay	187.19	4.217	3.90	2	0.121
into organisation policy	Chinese	198.20				
	Indian	149.65				

ethnic group stands on a different opinion pertaining to CSR issues. For instance with the highest mean rank of 232.70, the Indian respondents strongly believed that extra rules and regulation can be avoided if the corporations are involve in social responsibility programmes (statement 1). The Chinese respondents on the other hand, placed the least agreement on the statement (mean rank, 159.15). An inspection of statement 2 and 6 shows that the Malay respondents declare the highest agreement on the issues that social responsibility commitment may encourage the company's investments opportunity and public image. The Indian respondents, however report the least agreement on both of the statements. Another examination on the significance result shows that the respondents from Indian ethnicity have ranked statement 4 and 5 higher than the Malay and Chinese respondents. With mean rank of 228.05, the Indian respondents believed that firm's involvement towards social activities is profitable. They also seem to have a strong agreement on the issue that voluntary regulation alone is not enough to encourage companies to participate in social responsibility programmes.

CONCLUSION

To summarise, this study suggests that executives in financial sector demonstrate a positive perceptions and concerns toward CSR in Malaysia. However, in depth observation across ethnicity of the respondents reveals that there are no homogenous consensus especially in regards with statement 1-6. This is potentially a significant finding since culture gives a significant impact on people attitude, behaviour and perception. The finding is consistent with the argument expressed by Chapple and

Moon (2005) and Sriramesh *et al.* (2007) who claim that the way CSR is perceived and practised in Asia is not homogeneous as it is shaped by different cultures, religions and diverse socio-economic conditions. This finding could also be the result from many countries that share a similar pattern of multicultural society like Malaysia. Although, there are differences of opinion among ethnic groups in Malaysia on a few issues related to CSR, it is hoped that these perceptions are meant for producing more competitive Malaysians locally and globally and not meant to impede the government's objective in establishing more united Malaysian.

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