

CORPORATE SOCIAL RESPONSIBILITY AND BUSINESS PERFORMANCE OF MANUFACTURING INDUSTRY

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Abstract: *Corporate Social Responsibility (CSR) has become an important tool for business environment to sustain their business competitiveness in Small and Medium Enterprises (SMEs) or Multi-National Companies (MNC) industries. In current business, CSR is an essential part as the standard operating procedure for a company. Currently there is a little knowledge about the typical characteristics, attitudes and preferences of employees who engage in CSR. Therefore, it is important to know the potential barrier of CSR which stimuli the business performance. This study comprises on how CSR strategies aligned with positive changes to the employees and how it impact on the business performance. A structured self-administered questionnaire was distributed to the employers from the manufacturing industry companies from Negeri Sembilan. Descriptive analysis, multiple regression analysis were carried out and Cronbach's alpha coefficients calculated to determine the reliability of the measuring instrument. The empirical results of this study indicate that employee individual development on CSR and employee growth due to CSR activities significantly influence the competitiveness of SMEs.*

Keywords: *Business performance, corporate social responsibility, employee engagement*

Introduction

Corporate Social Responsibility (CSR) has attained a great outline in the theoretical domain (Lockett, Moon, & Visser, 2006). As well, many consider it an absolute necessity that organizations define their roles in society and apply social, ethical, legal and responsible standards to their businesses (Luo & Bhattacharya, 2006). CSR has achieved business prominence due to the activities of pressure groups and also the emergence of the “market for virtues” such as Socially Responsible Investment (Brammer & Millington, 2003) that create further pressures to adopt CSR initiatives. Moreover, CSR has spread geographically from its original US setting to become a global concept (Scherer & Palazzo, 2007), becoming particularly well established in Europe.

From a CSR perspective, organizations seen as key drivers in the process of constructing a better world (Friedman & Miles, 2002) and are therefore under increasing pressure to demonstrate good and accountable corporate responsibility. In addition to the prime requirement to deliver profits to shareholders, organizations are frequently subject to wider stakeholder interests and the need to demonstrate a balanced perspective. As a result, organizations are developing and updating their programs and policies and attempting to measure their social and environmental performance, whilst at the same time engaging in consultations with stakeholders and, during this process, communicating their values to employees, environmental groups, local communities, and governments. Global leaders such as Johnson & Johnson, HP, and Shell have publicly acknowledged their social and environmental responsibilities and have developed processes to inform stakeholders using tools including sustainability reports, responsible products, active engagement with NGOs, and positive participation in networks to share best practice in the field of CSR (Engardio, et al., 2007; Schouten, 2007).

Literature Review

Smart business leaders believe that an active corporate social responsibility program is an asset when it comes to attracting top talent. However, many leaders fail to understand that simply instituting a CSR program is not enough to retain the top talent and increase the business performance. Today's conscious employees demand corporate social responsibility programs that give them the opportunity to become personally engaged in making a difference at work. Research conducted by Cone Millennial Cause group found that 80% of a sample of 1,800 18-25 year olds wanted to work for a company that cares about how it impacts and contributes to society. More than half said they would refuse to work for an irresponsible corporation. According to Meister (2012), by the non-profit Net Impact, 53 percent of the workers state that "a job where I can make an impact" was important to their happiness and 72 percent of students about to enter the workforce agreed. Furthermore, 35% of the respondent would love to work for a company that committed to CSR activities, 45% would like to work for a job that makes a social or environmental impact and 58% willing to work for an organization with values like their own (Meister, 2012). According to Kumbar (2017), the industry firms started realizing that Corporate Social Responsibility (CSR) able to improve the company cost-effectiveness and take care of all those interrelated with their endurance in the culture directly or indirectly for the success of the organization.

According to Haski-Leventhal, Roza and Meijs (2017), the multi-disciplinary interest in social responsibility on the part of individuals and organizations over the past 30 years has generated several descriptors of corporate social responsibility (CSR) and employee social responsibility (ESR). Despite the valuable insights provided by existing literature and theories, academics have yet to pay sufficient attention to multi-level antecedents of employee engagement and companies especially those in the area of HRM and social or organizational psychology (Morgenson et al., 2013). CSR practices of organization especially SME are influenced by a wide range of both internal and external factors (Beddewela and Fairbrass, 2016). Questions that remain to be explored include how stimulation in employee engagement in CSR can impact on business performance, which interventions might lead to certain consequences for companies and employee and how the employee perceived about the CSR activities. Thus, the objective of the study is to gain insight into the use of CSR practices by the organization can influence employee which directly impact on the business performance.

Material and Method

Conceptual Framework

According to Munasinghe and Malkumari, (2012), CSR has remained a broad, complex and continually evolving notion that encompasses a variety of ideas and practices. Based on previous research (UNIDO, 2008 and Szabo 2008) and for the purposes of this study, some categories of CSR factors which also apply to manufacturing industry have been taken to include perception, talent, growth, individual development and engagement. These factors can individually lead to the increased competitiveness of the manufacturing companies in the long term in terms of increased sales volume, growth rate, market share and profitability (Jamaludin & Hasun, 2007; Mandl & Dorr, 2007; Salavou & Avlontis, 2008).

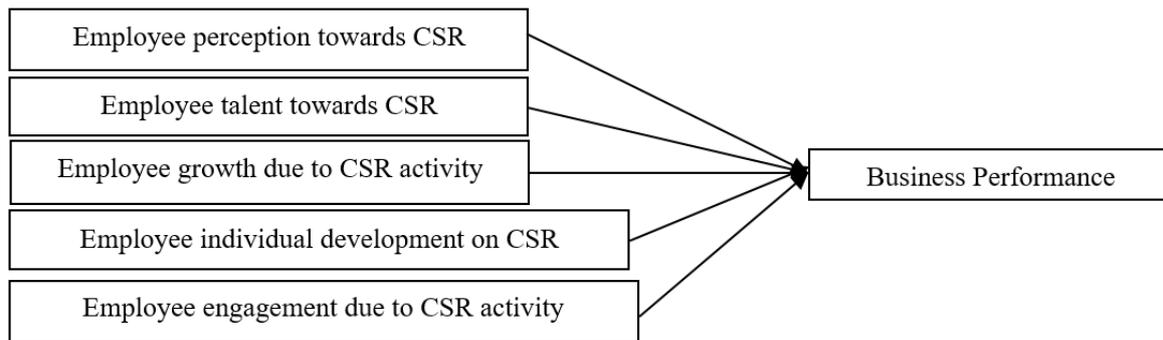


Figure 1: The Impact of CSR on Business Performance

Research Hypotheses

The focus of this study is to define the relationship between the employee perceptions towards CSR and to determine how these variables can influence the manufacturing company business performance. The following hypotheses were formulated to identify the relationship between the factors and business performance regarding different aspects.

The following hypotheses were tested:

Hypothesis 1: There is no significant relationship between employee perception towards CSR and business performance.

Hypothesis 2: There is no significant relationship between employee talent towards CSR and business performance.

Hypothesis 3: There is no significant relationship between employee growth due to CSR and business performance.

Hypothesis 4: There is no significant relationship between employee individual development due to CSR and business performance.

Hypothesis 5: There is no significant relationship between employee engagement and business performance.

Method of Analysis

The study was conducted at Negeri Sembilan, Malaysia where companies such as 3M Malaysia Seremban Sdn.Bhd., On Semiconductor (M) Sdn. Bhd., NXP (M) Sdn. Bhd., Xyratex (M) Sdn. Bhd. and Samsung SDI (M) Sdn. Bhd were selected. Purposive sampling methods were used and 100 employees were interviewed using structured questionnaire. The target population for

this research consisted of first line manager and top manager. Descriptive statistics, reliability test and multiple regression were used to analyse the information gathered from the questionnaire. Descriptive analysis was used to describe the population in this study. Reliability analysis was carried out to test the internal consistency of a measure (Field, 2005). Independent t-tests were used to compare the mean values between two unrelated groups (gender, age, salary and education level) on the same continuous and willingness to work for organization which practice CSR. Multiple regression analysis is conduct to test the impact of CSR on business performance.

Results and Discussion

The Cronbach's alpha value which gets from reliability analysis was 0.972 and this showed that there was consistency among the conceptual framework items and therefore the model is fit for this study.

Socio-demographic Information

Table 1 shows the socio-demographic profile of the employees. The result showed that 35 percent of the employees were male and 65 percent of the employees were females. As can be seen in Table 1 majority of the respondents were Chinese (43 percent) followed by Malay (31 percent) and Indians (26 percent). In terms of monthly income, the result shows that 40 percent earned less than RM 3000 and 60 percent had monthly income between RM 3001 to RM 6001. The education level of the employees is categorized into four categories where 15 percent had diploma and below, 69 percent of the employees graduate from bachelor and 16 percent had complete their master degree. With regards to age, the result showed that most of the respondents were between 31 to 40 years (40 percent), while 25 percent was between 20 to 30 years old and 41 to 51 years old and only 10 percent were more than 51 years old. In term of working experienced, 35 percent of the employees have 1 to 2 years of working experience which same goes to 3 to 4 years of working experienced, 15 percent of the employees have at least 5 to 6 years of working experienced and 10 percent have 9 to 0 years of working experienced. Only 5 percent of the employees have at least 10 years of working experienced.

Table 1. Demographic Profile of Respondents (n=100)

Characteristic	Percentage	Characteristic	Percentage
Gender		Age	
Male	35	20 - 30	25
Female	65	31 - 40	40
		41 - 50	25
Race		51 - 60	10
Chinese	43	Education level	
Malay	31	Diploma and below	15
Indian	26	Bachelor	69
Working Experienced		Master	16
1 - 2	35	PhD	0
3 - 4	35	Monthly Income	
5 - 6	15	Less than 3000	40
7 - 8	0	3001 - 6000	60
9 - 10	10		
10 years and above	5		

Dimensions of CSR and the organization

Table 2 shows the organization and their involvement in Corporate Social Responsibility. The results shows that fifty percent of the employee agree that their organization encourage them to participated in local community activities and 52 percent of the organization give regular financial support to local community activities and projects. Forty three percent of the employee think that it is important to implement CSR in an organization and 43 percent of them state that their organization do have a solid CSR structure. Fifty six percent of the employee agree that their organization always communicate the organization’s value to their customers, business partners, suppliers and other interested parties. Approximately, 36 percent of the organization study the impact of its CSR activities on the stakeholders, 47 percent of the organization are less emphasize on it and 17 percent of the organization have not study the impact at all. However, only 36% of the employee state that their organization will make an assessment on how CSR activities impact on their business performance and 20 percent of the employee stated their organization never make any assessment at all regarding the impact of CSR on business performance.

Table 2. CSR and Organization

Statement	Percentage
Do you think it is important to implement CSR in an organization?	
Yes, very much.	43
Yes, but less emphasize on it.	57
Does your organization have a solid CSR structure?	
Yes	43
Not sure	57
Does your employees encouraged to participate in local community activities?	
Yes, very much.	50
Yes, but less emphasize on it.	50
Does your organization give regular financial support to local community activities and projects?	
Yes, very much.	52
Yes, but less emphasize on it.	48
Do you communicate your organization’s values to customers, business partners, suppliers and other interested parties?	
Yes, very much.	56
Yes, but less emphasize on it.	44
Does your organization study the impact of its CSR activities on the stakeholders?	
Not at all.	17
Yes, very much.	36
Yes, but less emphasize on it.	47
Does your organization make an assessment on how CSR activities impact on their business performance?	
Not at all.	20
Yes, very much.	36
Yes, but less emphasize on it.	44

Independent sample T-Test

The results of the t-test indicate that some of the selected socio-demographic variables have a significant relationship with employee willingness to work in an organization which practice CSR (Table 3). The socio-demographic variables which were chosen in this study include gender (male or female), age (20 to 40 years old or 41 to 60 years old), education level (diploma and below or degree and above) and salary (RM3000 and below or RM3001 – RM6000). The employees were asked whether they are willing to work for a company which practice CSR.

From the results, it showed that only gender was significantly different with the willingness to work for a company which practice CSR. It shows that females have higher intention than males ($p < 0.01$). It shows that women take CSR issues more seriously than male employee counterparts not only because of women have a stronger moral orientations but also because they have reputational reasons to help the society. Women are more willing to provide input on sustainability and corporate responsibility issues at work especially they willing to contribute to a Green Team or other environmental effort.

Table 3. Independent Sample T-Test

Socio-Demographic Variable		Mean	t	Significant
Gender	Male	4.26	-2.726	0.008***
	Female	4.52		
Age	20 - 40	4.40	-0.820	0.414
	41 - 60	4.49		
Education Level	Diploma and Below	4.47	0.533	0.595
	Degree and above	4.39		
Salary	RM3000 and below	4.48	0.737	0.463
	RM3001 – RM6000	4.40		

***Statistically significant at the 0.01 level, **at the 0.05 level and *at the 0.10 level

Multiple Regression analysis

Multiple regressions are used in this study to explain the dependent variable (Y) such as business performance is estimated from several independent variables (X) such as employee perception, talent, development, engagement, growth and individual development. As highlighted in Table 3, the regression model is statistically sufficient with F-value of 13.982 (p -value= 0.000). It indicated that all the eleven independent variables that used in this study are simultaneously significant to the dependent variable. From the adjusted R square value, the five factors contributed 39.6 percent of the variation in “impact on the business performance”. The assumption of the independent has almost certainly been met since the value of Durbin-Watson is 2.162 which are very close to 2. Each factors tested in different dimensions and without any multi-collinearity with the tolerance rate is more than 0.1 (Menard, 1995) and variance inflation factor (VIF) is less than 10 (Myers, 1990).

The result of unstandardized coefficient (beta) revealed that employees who think that CSR can improve individual development in term of their career development, self-respect, improve in leadership skills and teamwork was an important variable that contributed to the business performance (beta=0.455). Through the CSR activities organize by the organization, employees’ state that it improve their leadership skills, teamwork and self-respect. They agree that the CSR activities can improve their career development and become a better leader. All this feeling and achievement had directly influence the business performance where it create a strong relationship between the organization and the employees.

The significant positive relationship between employee growth through CSR activities and increased the business performance was reported. The result shows that employees who agree that CSR can help them to growth in term of attitude, handle difficult situation and creates changes (beta=7.844) will contributed to a positive business performance. This result suggests that organization who encourage employees to join CSR activities help employees to transform towards their attitude, create opportunity to changes and they are more capable to handle difficult situation. This result had directly impact on the business performance where employees become more efficient and effective in their job.

Table 3. Multiple regression of the Organization CSR Impact on Business Performance

Independent Variable	Unstandardized Coefficients (b)	t value	p value	Collinearity Statistics	
				Tolerance	VIF
Constant	1.415	3.697	0.000		
Employee Perception towards CSR	-0.200	-1.300	0.197	0.177	5.657
Employee CSR Talent	0.048	0.307	0.760	0.223	4.492
Individual Development on CSR	0.455	3.765	0.000***	0.435	2.298
Employee Growth	0.291	1.900	0.061*	0.195	5.128
Employee Engagement	0.107	0.648	0.519	0.182	5.497
R ²	0.427	Durbin Watson	2.162		
Adjusted R ²	0.396	F value	13.982***		

***Statistically significant at the 0.01 level, **at the 0.05 level and *at the 0.10 level

Conclusion

In order for CSR to be implemented it needs to become a part of the management culture and normal business process. It should be part of the business decision-making, performance measurement systems, employee and management incentive programs and the business planning process. CSR does not require new management techniques but rather new management perspectives where the critical factor is leadership practices (Bevan et al., 2004). According to Veage et al., (2014), congruence between life and work-related values was related to wellbeing and perceived accomplishment at work.

Empirical findings suggest that high external CSR leads to organizational commitment and performance even though it at best provides indirect benefits to the employees (Brammer, Millington & Rayton, 2007). According to Bhattacharya, Sen and Korschun (2008), by engaging in CSR the company shows the company's "soul" and that it is a responsible corporate citizen which can send several signals and implications to prospective employees which indirectly improve the business performance.

The findings of this study confirm positive relationships between the employee where they are able to develop themselves through the CSR activities and improve the business performance. Corporate Social Responsibility (CSR) is deemed beneficial to business in areas like human resource management and employee retention, business branding and operational efficiency. CSR is believed to be the new business strategy due to the commitment provided by the business on the welfare of the society. In terms of human resource management, employees will be attracted to companies that put value to CSR as they felt that they will be taken care of. From business branding perspective, CSR activities give positive image and "feel good" feelings on the company. As a result, customers will favour brands that promote CSR over their competitors. In addition, implementing CSR encourages the employees to creatively constructing ways or methods to improve the business operations.

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