

## Corporate Social Responsibility (CSR) for Global Market Access: A Malaysian Case Study on Small and Medium Enterprises (SMEs)

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**Abstract:** The Corporate Social Responsibility (CSR) is a powerful tool or channel for ensuring greater market access and enables a better engagement in the global market. The study examines how Corporate Social Responsibility (CSR) is contributing to mass access of Small and Medium Enterprises (SMEs) in the global market. The study used cross section primary data from the level of executives of the corporations. Towards the achievement of its objectives this study uses descriptive statistical tools. The findings of the study revealed that practicing of CSR is playing pivotal role to pick up the brand image and reputation of the Malaysian SMEs to the customers in the global arena.

**Keywords:** Corporate social responsibility (CSR), Small and medium enterprises (SMEs) and Malaysia, Benefits of CSR

### INTRODUCTION

Today, the concept of Corporate Social Responsibility (CSR) may emerge as one of the business' preferred strategy in the most challenging and competitive business world. Because the figures of conscious customers are dramatically escalate (Wigley, 2008). They are concern about the environment, community and workplace management of the corporation before acquiring their products or service. Specially, when the issue come for corporate customer regarding their raw material or outsourcing than may be the figure of conscious customers is much higher. Thus, the corporate improve their reputation or brand image through focusing their committeemen towards the sustainable development (Baden *et al.*, 2009; Burke and Logsdon, 1996; Doane, 2005). It is well known that brand is a name or trademark connected with a product or producer, increasingly more fundamental components then ever-before for global market access (Hui, 2008; Kotler and Lee, 2005). The branding and reputation of corporations are dependent on how corporation are carefully realized the issues of social benefits (McWilliams and Siegel, 2000; Tureac *et al.*, 2010). In such, issues the practices of CSR are playing more influential role to develop trustful bridge between corporation and society.

Malaysia has done well to make a stable economic development rapidly over the past few decays. A remarkable part contributions have come from Malaysian SMEs in such development, but the practice of CSR by

SMEs towards the wellbeing of society are not in remarkable stages in compared to other developed nations (Nejati and Amran, 2009). At the same-time, early study demonstrates that the CSR awareness and practice in Malaysia is still lower than even Singapore (Ramasamy and Ting, 2004). The tenth Malaysian Plan mentioned that government will assist SMEs to reduce the regulatory cost as well as support SMEs to access global market (Unit, 2010). In such situations, it is the key issues to know how corporations get access from the cross border customer, because Malaysia planed to become developed nation by 2020. Early study proves corporate social responsibility (CSR) plays a vital role to get customer satisfaction or market access (Luo and Bhattacharya, 2006). Therefore, this research intended to stumble on reason behind the social activities by the SMEs as well as how corporations increasing brand image and reputation through CSR activities.

**Definition of corporate social responsibility:** Corporate Social Responsibility briefly known as CSR means the responsibility of company towards economy, environment and society. Business would embrace responsibility for the impact of their activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere. Furthermore, business would proactively promote the public interest by encouraging community growth and development, and voluntarily eliminating practices that harm the public sphere, regardless of legality. Though there is no

universal definition of the notion of CSR, several author and institute define CSR in a different point of view. Let's have looked on few definitions:

According to World Bank, "CSR is the commitment of business to contribute to sustainable economic development-working with employees, their families, the local community and society at large to improve the quality of life in ways that are both good for business and good for development (World Bank, 2008)."

According to Bursa Malaysia (2009), "CSR is defined as open and transparent business practices that are based on ethical values and respect for the community, employees, the environment, shareholders and other stakeholders."

According to Carroll (1979), "Social responsibility of business is to encompass the economic, legal, ethical and discretionary expectations that society has of organizations at a given point in time."

According to Kotler and Lee (2005), "Corporate Social Responsibility is a commitment to improve community well-being through discretionary business practices and contributions of corporate resources."

Based on the above the definitions, this study defines CSR is a commitment of business to ensure better livelihoods through transparency at a given point of time. The development of corporate social responsibility in Malaysia has, over time, moved to higher levels than ever before (Crguide, 2008). The concept of CSR in Malaysia is new but the practice in not new. Research shows that not only Malaysian large size of organization but also SMEs are practicing CSR in terms of economic and environmental aspect but, the SMEs need to improve social aspect (Siwar and Hossain, 2009). One of the earliest studies on the development of CSR in Malaysia was carried out by (Teoh and Thong, 1984) In that study, author examined various aspects of corporate social performance, including social reporting. The authors surmised that companies were mainly involved in areas of human resource, product service, community study and the physical environment. Later studies focused on the level of reporting, the themes and the type of news disclosed. However, as late as the closing years of the twentieth century, CSR practices of Malaysian companies were still need to improve (Amran *et al.*, 2007).

**Benefits of CSR:** Socially responsible consumption is increasing and many companies are responding to the desires and demands of socially and environmentally responsible consumers (Webb *et al.*, 2008). Thus, CSR activities improve a company's image to its consumers as well as stakeholders; whereas their motivation becomes negative when the company's CSR policy is ambiguous.

Variables affecting perceived sincerity include the benefit salience of the cause, the source through which consumers learn about CSR, and the ratio of CSR contributions and CSR-related advertising. This backfire effect can be overcome by spending more on CSR activities than on advertising that features of CSR (Yoon *et al.*, 2006). The roles and responsibilities of business in society, in particular global business, are being defined more broadly by an expanding range of stakeholders (Warhurst, 2005). Thus, this study intends to examine the benefits of practicing corporate social responsibility.

Corporate Social Responsibility (CSR) is not just about doing the right thing; rather it is something more than that. It refers behaving responsibly, and also dealing with stakeholders who do the same. It also ensures benefits for the business, by publishing Corporate Social Responsibility (CSR) disclosure. CSR disclosure may ensure all kinds of stakeholders that the corporate is not affecting their environment and society. CSR lends itself to good news stories. People want to buy the product of responsible businesses corporation. Thus, in recent years, Corporate Social Responsibility (CSR) has received increased attention in both academic and practitioner realms (Waldman and Siegel, 2008). At the same time, CSR can be seen as part of a continuing process of building long-term value. Everything done by the corporation should help improve its reputation and encourage customers and other stakeholders to stay involved with this corporation. A business that buys recycled paper- but exploits its customers and ignores the community has missed the point (Hirschhorn, 2004). Now, after knowing all the above benefits of CSR and its impact, it is interesting to search the benefits of CSR and list down the most potential benefits of CSR in the below;

**Image and reputation:** Practicing Corporate Social Responsibility (CSR) brings many benefits to a corporation including improvement of image, reputation, good-will, employee motivation and positive approach from stakeholders (Branco and Rodrigues, 2006; Said *et al.*, 2011). Just like previous study, CSR may work as a global brand insurance (Werther and Chandler, 2005).

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**Trust and understanding:** CSR improve business trust and understanding within its customers because responsible businesses are always careful about sales service which is the best tool to achieve customer

satisfaction. The customer service is a series of activities designed to enhance the level of customer satisfaction—that is, the feeling that a product or service has met the customer expectation (Schouten, 2007).

Customer service may be provided by a person (e.g., sales and service representative), or by automated means called self-service. Examples of self service are Internet sites. The experience a customer has of a product also affected the total service experience, but this is more of a product direct feature than what is included in the definition of customer. Better customer service lead corporations to access Global market through improving trust and understanding within stakeholder (e.g. customer, supplier).

**Better market position:** Corporate Social responsibility may play a role to get better market position through potential customer. A responsible corporation ensure better customer satisfaction by minimizing cost of production, which allow customer to get better product with a less price. One study in 1993 at Wright State University in Dayton, Ohio, found that managers believe corporate social actions have an effect on perceived market share (Makower, 1995). Corporate social responsible ensure better market position through global market access.

**Improve financial performance:** Corporate Social responsibility improves the financial performance through cost reduction, efficient employee and more sales. There are several research supports that CSR ensure better financial performance for corporations. Research shows that responsible corporation has better reputation which led to the better financial performance than the irresponsible corporation. In 1994 study at Florida International University that tried to link social performance with financial performance found a significant positive relation between CSR and growth in sales return on assets and so on (Makower, 1995). Thus, the concept of CSR is becoming more popular today; more than 80% of the Fortune 500 companies address CSR issues in their webpage (Bhattacharya and Sen, 2004).

**Potential recruits:** One of most important benefit of CSR practice is potential recruitment (Welford and Frost, 2006). When a corporation improves its workplace management, show respects towards all level of employees, responsible attitude towards the society and straight towards the conversation of heritage than the next thing comes automatically e.g., better company culture. Better company culture led the organizations toward increasing attractiveness to potential recruits. When a corporation able to recruits potential candidate than the corporation may able earn more revenue by efficient workforce.

**Cost saving:** Environmental friendly business process may cost more in the short run business, but it is tremendously meaningful for long-run business. Environmental friendly process also encourages employees to work efficiently and reduce the total cost in a long financial time series. There are lot of example are surrounding the world. One of Malaysian experience is that Tex Cycle Sdn Bhd reduces their total cost through environmental friendly business process (CR Guide, 2008). They are currently using solar system for their electricity and reduce their water bill through recycling. Other study also proves benefits of CSR include cost saving and risk reduction (Welford and Frost, 2006).

**Employees motivation:** One of the most difficult job for any corporation to make happy its employess. But corporations may reach in the optimal position through better crespensible business attitude. Recent study indicates that Corporate Social Responsibility (CSR) is gradually a significant factor in magnetizing talented and diverse workforce (Woodward *et al.*, 2001). Organizations that ensure the interests of their workforce by offering excellent working environments will achieve superior performance in terms of quality and therefore, experience superior levels of productivity (Brown *et al.*, 2009).

**Efficient risk management system:** The research finding proves that the investors are increasingly focusing Corporate Social Responsibility (CSR) as akin to long-term risk management and ethical governance practices (Hill and Knowlton, 2006). The study also indicates that analysts place as much importance on corporate reputation as they do on financial performance. At the same time corporate social responsibility brings new business network which assist corporation to mitigate financial as well as non-financial risk.

**More business:** Corporate social responsibility not only vital for successful corporation but also bring prospect for small and medium corporation. Now-a-days, large corporations are also careful about the supplier. They are asking their supplier to introduce responsible business. At the same time corporations are rejected by the responsible consumer group, if they are irresponsible. In this way, CSR brings more business for the corporations.

## **RESEARCH METHODOLOGY AND DATA ANALYSIS**

The study used cross section primary data from the level of executives of the corporations. Towards the achievement of its objectives this study uses descriptive statistical tools. The descriptive model has been used through means, ranges, and frequency, percentages, ratios, etc. Once researcher set the core benefits of CSR, researcher made questionnaire with this core benefits and

Table 1: Percentage of respondents

No	Media	Distribution	Actual respond	Percentage (%)	Reject	Useable
1	Appointment	43	42	97.67	1	41
2	Post mail	35	18	51.43	4	14
3	E-mail	45	10	22.22	2	8
Total		123	70	59.34	7	63

Survey data

Table 2: Core benefits of CSR

Core benefits of CSR	Mean	S.D.	Rank
Image and reputation	2.72	2.37	1
Trust and understanding	4.56	2.47	2
Better market position	4.80	2.33	3
Improve financial performance	5.54	2.58	4
Potential recruits	5.56	2.47	5
Cost saving and increased efficiency	6.07	2.29	6
Employee motivation	6.32	2.44	7
Risk management	6.33	2.50	8
More business	6.40	2.37	9

\* S.D.: Standard division; Survey data

sent the questionnaire to Malaysian managers to rank the most notable benefits of CSR. Sentence was like as this; please rank them in terms of importance from your point of view. The most significant factor will receive rank 1; second most significant factor will receive rank 2, etc. No rank should be repeated. Researchers sent 123 questionnaires from January 2008 until June 2008 to the corporation sectors in around Malaysia. Finally, researchers got back 70 filled questionnaires until December 2008 e.g., percentage of receive questionnaire is 59.34%. In Table 1, we summarize respond of questionnaire.

Table 1 shows how the questionnaire has been collected. The researchers distributed 43 questionnaires through personal interaction. Among the 43 respondents, 5 respondents promised to send the questionnaire through mail. However, one is missing. The rate of respond through postal mail and e-mail is very little in compare with personal interaction through appointment.

The researchers use the SPSS software v.17 to get mean and standard division of the rank made by 63 respondents. As mentioned earlier, that the researchers ask the respondent to rank as 1 for most significant benefit of CSR and 2 for second most significant and so on. So the most important benefit's mean will be least one. When the researchers put the data in SPSS software, improve image and reputation came as most significant benefits among all the benefits of CSR. The following Table 2 shows the core benefits of CSR based on the data. Table 2 demonstrates the rank of ten core benefits of practicing Corporate Social Responsibility (CSR). The table also explain that, the researcher ranked as most important factor, if the factor got lower mean value and vice-versa.

### FINDINGS OF THE STUDY

According to the respondents the most beneficial aspect of CSR practice is to improve image and reputation, with the lowest mean score of 2.72 with 2.37

standard divisions. It means that the managers of SMEs feel that they practice CSR simple for image and reputation. Although there are some more benefits of CSR but the most chosen one is improve image and reputation. Question may raise that why the Small and Medium Enterprise (SMEs) are now careful about the image and reputation. And why they rank image and reputation as most significant benefits of CSR. In personal interview they mentioned that image and reputation is need for global market access. Specially, when a product goes to the develop countries from a developing country.

The second most significant issue is that CSR improve trust and understanding, which can increase the gross profit of the firm. Respondents mention during the interview that the customer likes to purchase goods and services from the responsible organization. It is some kind of assurance that the product they are purchasing is better quality. Practices of CSR bring trust and understanding from customers and assist the SMEs to access global market. When a corporation achieves the trust and understanding then the second thing comes automatically e.g., better market position which improves financial performance of SMEs. Through the practices of CSR, SMEs get image and reputation from the customer which led SMEs to attract to potential employees. And potential recruits save the cost of production through efficient management. All these bring efficient risk management and more business for SME. So this study, the researcher can summarize that the benefits of CSR is not one or two like reputation and image, rather CSR bring cycle of benefits which come one after another. One more issue rise by the Manages of SMEs that the initial cost of CSR is sometime higher for them, as they are conducting small business. This extra cost may rise-up the unit price of product, which create barrier for them to access local market. They ask for Government support or tax holiday for CSR activities.

### CONCLUSION

This study examines how Corporate Social Responsibility (CSR) is contributing to mass access in global market by the SMEs. The overall findings of the study revealed that practicing of CSR is playing pivotal role to pick up the brand image and reputation of corporations to the customers in the global arena. Furthermore, the output of the study revealed that the managers of SMEs agreed that they practice CSR, because CSR improve image and reputation, build-up faithful trust and understanding as well as better market position which improve financial performance of SMEs.

Finally, the study summarize that the benefits of CSR is not one or two like reputation and image, rather CSR bring cycle of benefits which come one after another. One more issue raised by the Manages of SMEs that the initial cost of CSR is sometime higher for them, as they are conducting small business. This extra cost may rise-up the unit price of product, which create barrier for them to access local market. According to tenth Malaysian plan, government recognized training institutes will arrange training to build-up the capacity and capability of SMEs (Unit, 2010). The plan also mentioned that the government will reduce the regulatory cost for SMEs as well as support SMEs to access Global market. Thus, it is highly recommended to arrange training on corporate social responsibility for SMEs to encourage them to practice CSR for long term business gain.

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