



KEMENTERIAN PENDIDIKAN TINGGI

JOJAPS

eISSN 2504-8457



Journal Online Jaringan COT POLIPD (JOJAPS)

Level of Awareness on Corporate Social Responsibility (CSR) among Malaysian Construction Companies

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Abstract

Corporate Social Responsibility has been demonstrated as success approach to given the positive image of construction companies in many countries such as UK, US, France, And Australia. These successes inspired Malaysian construction industry to implement this approach. Since there is a lot of bad interpretation of construction companies so this study investigates the implementation of CSR in construction companies. Hence, to overcome this bad interpretation, CSR implementation should be put in place and apply in construction companies. Therefore, this research is also investigate the level of awareness on CSR among construction companies (class A contractors), identified the opportunities expected and gaining by the construction companies towards CSR implementation and obstacles facing by the construction companies in implementing CSR. Literature on CSR in other countries and others industry were explored in the earlier stage of this research. Besides that, questionnaire and interview was conducted in order to gain in depth understanding of CSR in Malaysian Construction Companies. The results indicated that there was a positive sign on CSR awareness even though not as a whole part. However interest, opportunities and obstacles of Malaysian construction Companies towards CSR need to be considered. CSR must be seen as how they make money and not only how they spent their money.

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Key words: Corporate social responsibility (CSR), awareness, opportunities, obstacle, construction industry

1. Introduction

In recent years, companies are becoming increasingly aware of their Corporate Social Responsibility (CSR) to the employees and society at large. With the increase of the standard of living of the society, greater importance has been given to corporate social responsibility of the companies. Companies, as a corporate citizen are under a moral obligation to discharge their corporate social responsibility not only to the shareholders but also to the society as a whole (Petrovic Lazarevic, 2010). Corporate social responsibility (CSR) is a concept that extends the traditional focus of business in achieving bottom-line results to triple bottom-line results and the concept of sustainability that focus on economic, environmental and social performance (Roshima Said, 2011). A CSR policy also a type of self-regulating mechanism that allows a business to monitors its compliance with international and industry norms and laws as well as ethical standards (Kandasivam, 2011). CSR has been defined as the duty of the organization to respect individuals' rights and promote human welfare in its operations (Manakkalathil and Rudolf, 1995; Oppewal et al., 2006; Nulawadin, 2008). It also defines as corporate actions that aim to lead to economic survival, social responsiveness and sustainability of the environment and stakeholder in the long term. Businesses not only have the economic responsibility of being profitable and the legal responsibility to follow the laws or ground rules that guide their ability to achieve their economic requirements, but they also have ethical responsibilities that include a range of societal norms, or standards (Carroll, 2000a; Nulawadin, 2008). A small number of studies (Nik Ahmad *et al.*, 2003; Haronet *et al.*, 2006) have investigated CSR in Malaysia, finding the general level of CSR to be low, and the presence of a gap in stakeholder knowledge. It is possible because CSR is not mandatory and is very subjective in nature. Hence, there are no universally accepted CSR models to be adopted by firms.

1.1 Definition Of Corporate Social Responsibility (CSR)

CSR has been defined as the duty of the organization to respect individuals' rights and promote human welfare in its operations (Manakkalathil and Rudolf, 1995; Oppewal et al., 2006; Nulawadin, 2008). It also defines as corporate actions that aim to lead to economic survival, social responsiveness and sustainability of the company. Social responsibilities are the expectations that society places on firms while social issues are factors to which these responsibilities are tied, factors that not only can affect a firm's ability to meet its objectives, but can ultimately affect their social responsibilities as well. This is an important distinction to recognise and has implications for strategy. (Galbreath 2009). By referring to Luken, 2006; Silberhorn and Warren, (2008); Welford et al., 2007; Rosling et al., (2006), the CSR commonly will focus on environment, health, safety, governance, corruption and human resource management as general overview. CSR not only concerns the relationships between firms and other actors that can be studied empirically, it also has a normative content that addresses what responsibilities corporations might have in our changing social and economic context. That societies are different in many respects implies that CSR can have different faces in different societal contexts (Halme et al., 2009). This is found as different agendas for CSR in different parts of the world (Welford et al., 2007), in the different CSR responses by companies to those agendas, and, in the differential capacity of organizations and their managers to understand and address those issues. In summary, CSR can be defined with two simple words but meaningful as responsible and sustainable business nature towards global environments.

1.2 The development of CSR in Malaysia

Unlike in market economy countries with strong institutional environments, where CSR is typically considered as policies and activities going beyond the immediate economic and legal requirements, Jamali and Mirshak (2007) have noted that in developing countries a range of economic and legal factors deserve attention in the tracking down of CSR. To date, many empirical studies were focused on CSR practices with company's characteristics (see, for example, Mohamed Zain, 1999; Ab Manan and Mohd Iskandar, 2003; Mohamed Zain and Janggu, 2006; Mohd Ghazali and Weetman, 2006; Saat et al., 2009). These characteristics, such as size, profitability, leverage, audit firm and financial performance, influence corporate social disclosure practices. All this study conducted from analyses the annual report and website for the big companies.

Another study by Mohamed Zain and Janggu (2006) examined the extent of social and environmental disclosure of 37 construction companies listed on the Malaysian Stock. Social and environmental disclosure levels were assessed by the number of sentences in the annual report. The result provides strong evidence that the Corporate social disclosures positively related to companies' size and profitability. This indicates that, the bigger, in terms of size and profitability a company is, the more the company discloses its social and environmental information.

Previous study revealed that the level of CSR disclosure among GLCs is high, as the trend of disclosure among social information is increasing from one year to another throughout the period of the study. Previous study only look at the disclosure of CSR (Zain & Janggu, 2006) this study tend to analyse the data than actual performance by the companies. And the findings from K.Muniandy & Barners, 2010 show that whilst corporate social performance is a feature in the Malaysian business, it differs in scope, content and structure, and varies across the PLCs with no significant pattern or emphasis in practice of any of the 4 specific dimensions of CSP. There are relatively low levels of CSP disclosures by the top PLCs listed on Bursa Malaysia. Currently, CSR is not bound by statutory requirements and is implemented voluntarily beyond legal minimum requirements. Associated regulations already exist, however, which set standards for environmental impact, minimum wage and health and safety. Any further bureaucratic red tape would perhaps not be welcome and would suppress the innovation and creativity, which are crucial to effective CSR implementation. Given the increasing importance attached to the protection of the environment by business, there is a widespread concern about how companies discharge their social responsibility, and it is no longer only the financial performance and position of companies that is of interest to readers of annual reports, but also the matter of how companies discharge their responsibilities toward society. (Bakar & Ameer, 2010)

Likewise, in Malaysia, CSR disclosure has become an integral part of Bursa Malaysia's listing requirement which states that all listed companies whose financial year ended on or after 31 December 2007, must disclose all the CSR activities undertaken by them or their subsidiaries, or if there are none, they must include a statement to that effect (Bursa Malaysia, 2010). In addition, the Institute of Corporate Responsibility of Malaysia (ICR, 2010) has objectives to promote sustainable development, and to initiate and embed CSR best practices among Malaysian companies that would provide a competitive edge

1.3 Reason for CSR in Malaysian construction companies

Construction companies are responsible for the impact of decisions and activities where it has control either formally or indirectly. As such it may have the ability to affect behavior of organizations related to its activities and those situation falls within the organization's jurisdiction of encouragement.

The Institute of Corporate Responsibility of Malaysia (ICR, 2010) has objectives to promote sustainable development, and to initiate and embed CSR best practices among Malaysian companies that would provide a competitive edge. According to (Muniandy & Barnes, 2010) there is lack of awareness on CSR and CSP in Malaysia. The corporate sector does not seem to be completely aware of the business benefits of CSR. The Malaysian PLCs do not seem to be fully aware of the increasing importance of SRI funds and its potential as capital for investment since this study will look thru the construction companies, side, and either the same environment also happened in their practice.

Study conducted by Muniandy & Barnes found that there are relatively low levels of CSP disclosures by the top PLCs listed on Bursa Malaysia. On average, only 3.1% of the annual reports carried CSP disclosures and most of them were narrative in nature. 17% of the PLCs did not report any CSP initiatives at all. Early indication of the information shown is less exposure to the CSP, this lack of disclosure may be associated with a lack of awareness among corporations. According to Roshima Said et al, 2011 The environmental issues of CSR include the impact of production processes, products and services on air, land, biodiversity and human health. Economic performance reporting covers wages and benefits, productivity, job creation, outsourcing expenditures, research and development investments and investments in training and other forms of human capital. Social performance include documenting of traditional topics such as health and safety, employee satisfaction and corporate philanthropy as well as more external topics such as labour and human rights, diversity of the workforce. Since CIDB has placed CSR is a step that needs to be strengthened and included in the construction industry, through edition BINA integrity Jan 2011, with the main focus on CSR awareness that they are responsible for contractor in CSR activities. In this edition a reader has been introduced to provide direction for the contractor to understand the CSR based on international standards of ISO 26000 (Salim, 2011).

2.0 Objective

The aim of this study is to study the level of awareness of CSR by the Malaysian construction companies. In order to achieve the research aim, the following research objectives are established:

- i. To measure the level of awareness on CSR among construction company
- ii. To identify opportunities in implementing CSR.
- iii. To determine obstacles in implementing CSR in construction companies.

2.1 Significance of Study.

This study is significant to the current situation in construction industry, as big players in the construction industry companies should have the awareness towards CSR implementation. With the guidance from international standard which introduced by SIRIM (ISO 26000), the construction companies may have a clear mind towards this issue. This study also can identify the areas that attract the construction companies for implementing CSR.

3.0 Research Methodology

The research was carried out first through the literature search and followed by questionnaire. For the purpose of this research structured questionnaire being distribute. The distributions channel to the Class A Contractors with the attention people who personally involved in the management of the organization. There are 416 list of class A contractors registered with PKK in Selangor. 50% from the list were selects as respondents for structured questionnaire. The 50 questionnaires send by hand, 50 by postage, 50 by e-mail and 50 by fax machine but the questionnaire return ability was very low because companies management are unwilling to participate in such research.

4.0 Research Findings

4.1 Section A: Background Of Respondents

In an effort to establish a deeper understanding of the background of the respondents, this section describes the characteristics of respondent firms that were involved in this survey. Five (5) main characteristic were of principal interest, mainly designation, experience, age of the company, nature of business and CSR organized in company. The findings will be based on the guidance of CSR from ISO 26000 and implementations of Corporate Social Responsibility of Malaysian Construction Companies.

4.1.1 Designation of respondents

Data collected by researcher are consists of designation of respondents. 34 of the respondent's positions in the organisation are categorized as others, among them is the quantity surveyor, project engineer, engineer, site engineer, project coordinator, architect, accounts and admin person, which led to 57% of representing from the 60 respondents.

Meanwhile 28% (17 respondents) are project manager and 15% (9 respondents) of the total 60 respondents represents director of the companies including human resources manager, project director and Managing director. Since the number respondent from of director quite low then respondents who derived also not from policy makers for the company in particular, but their participation and observation in the course of duties at the company used as a basis for answering questions in the questionnaire that was distributed.

4.1.2 Years of experience in construction industry

Table 1: Years of experience in construction industry

	Frequency	Percent
Less than 5 Years	27	45.0
6-10 years	15	25.0
11-15 yrs	8	13.3
16-20 yrs	6	10.0
More than 20 Yrs	4	6.7
Total	60	100.0

Table 1 shows the respondent’s years of experience. Out of 60 respondents, 45% (27 respondents) and 25% (15 respondents) have less than 10 years of experience in construction industry. This indicates the similar result in designation that the only this person has the concern regarding questionnaire given. Even though it is not from policy makers but the data still reliable and can be used. The data can be seen from the perspective of junior officers on behalf of their company

4.1.3 Company Establishment/ Year of the company has been incorporated

The first hypothesis examined was the age the firm has a correlation with the CSR organize within the construction companies . The age of firm would affects firms social obligations (Owusu-Manu D. O.-N., 2010), it was important to explore the age levels of the firms that were involved in the survey. Adopting the conventional approach of measuring firm’s age, thus ,in years since a firm’s incorporation (Owusu-Manu D. , 2009); and consistent with (Rodriguez-Rodriguez, 2008)definition of young and mature firms , firms with more than ten years in the market were considered mature whereas those with less than 10 years’ experience were considered young.

Finding for company establishment ,30% of the construction companies involves with the survey has been in construction industry for a period of at most 10 years(=10).Meanwhile over 70% of the respondent has been in the construction industry more than 10 years(considered as mature firms). consisting 20% has been in the business for 11-15 years, 25% of the respondent comes from companies 16-20 years whilst 25% represented 15 respondent from 60 companies have been in business for more than 20 years. The results give the indications that the respondent comes from mature firms/companies, means that construction companies involved already have a relatively stable position in the construction industry and experience in current issues. Establishment in the construction industry is vital to make a study to link them with the implementation of CSR activities.

4.1.4 CSR organized in construction companies

Table 2: CSR organized in construction companies

	Frequency	Percent
Own CSR Department	13	21.7
Cross Functional Department	12	20.0
No organisational CSR Structure	35	58.3
Total	60	100.0

The above table illustrates the method of construction company carrying on the business of CSR in their company, research shows that most companies do not have a specific structure in the implementation of CSR (63.8%) represent 30 companies and only 6 companies have their own CSR department. This explains the initial information on the implementation of CSR in the construction companies involved.

4.2 Section B: Awareness On CSR In Construction Industry

Section B, focused on awareness on CSR in construction industry. The scale was selected using the range 1 – 5, where 1 represents the not aware and 5 strongly aware.

Table 1; Awareness on CSR in Construction Industry

In reference to the seven (7) core subjects below, how far does your company aware of the significance of CSR	Mean	Mode	Ranking
Labor practice	3.75	4	1
The Environment	3.73	4	2
Human Rights	3.72	4	3
Fair Operating Practice	3.52	3	4
Consumer Issues	3.50	3	5
Community involvement and development	3.43	3	6
Organizational Governance	3.37	4	7

The above table indicated data demonstrate that the values are symmetrically distributed because the found values are close to each other. Based on the results, the mean values for awareness on CSR of construction companies calculated less than 4.0. Means that construction companies has fairly aware the significant CSR in their practice in Malaysian construction industry. Among the things that are ranked top are labor practices, human rights and the environment. The findings of this research indicate that Labour practice is the most popular awareness by most companies with a mean value 3.75 compared with others. Since most companies regard the Labour practice human as their most valuable asset, it is not surprising that the incidence of awareness is high as proposed by Zain & Janggu (2006). Good management of Labour practice (human resource) is essential to the company if it is to maximize profit. Firms who better understand their social responsibilities and who begin to more adequately explore how they can build CSR into strategy are likely to gain the rewards of improved competitive positions in the future (Galbreath, 2009).

4.3 Section C : Opportunities in Implementing CSR

Table 2 : Opportunities in Implementing CSR

Based on your experience, do you agree by implementing CSR activities your company will obtain the following opportunities	N	Mean	Std. Deviation	Ranking
Improving relationship with supplier, stakeholders and community	60	4.17	.587	1
Enhancing corporate reputation	60	4.10	.630	2
To strengthen the sense of employee	60	4.02	.651	3
Increase Efficiency	60	3.90	.730	4
Community involvement and development	60	3.85	.777	5
Ethical motivation	60	3.83	.763	6
Acquisitions of commercial benefit	60	3.73	.733	7

According to table 2, mean value as calculated for CSR opportunities are more than 4.0. Based on the analysis, the top three opportunities to be obtain from CSR are improving relationship with supplier, stakeholders and community, enhancing corporate reputation and to strengthen the sense of employee. The mean values for each obstacle are calculated at 4.17, 4.102 and 4.02 which indicate that relationship factor become the most opportunities in implementing CSR. Eventually part of the mean value are less than 4, but it can be illustrates even though the respondents are not sure, but they are nearly to the level agree with all listed opportunities. It is a good sign for implementing CSR in Construction companies because the continuous effort by everybody either to introduced, more promotion and legislation on CSR will manipulated that each party will have the opportunity of the CSR.

4.4 Section D : Obstacles In Implementing CSR

Table 3: Obstacles In Implementing CSR

Based on your experience ,do you agree the following obstacles happen when you want to integrate CSR in your company	Mean	Std. Deviation	Ranking
High costs	3.82	1.097	1
Business benefit not immediate	3.72	.865	2
Lack of Fund	3.67	1.020	3
Lack of specific legislation on CSR	3.65	.954	4
Lack of institutions /client assistance	3.57	.945	5
Lack of knowledge	3.55	.999	6
Few interest from company	3.53	.724	7
Lack of corporate skill	3.52	.965	8
Little impact on social and environmental business	3.40	.764	9
Lack of employee motivation	3.38	.846	10
No benefits expected from CSR	3.03	.882	11

The analysis show that, the top three obstacles are high cost, business benefit not immediate and lack of fund. The mean value for each obstacles are calculated at 3.82, 3.72 and 3.67 which indicates that financial factor become the most obstacles in implementing CSR. High standard deviation value shows that most respondents agreed that financial factors danger is the main cause in implementing CSR in construction Management. This finding was supported by the literature by Bakar & Ameer (2010), found most of the obstacles reported were internal, especially for SMEs that often lacked time, human and financial resources (financial constraints were also mentioned by the larger entities, especially in times of crisis). However, other obstacles also become a barrier in construction companies since the lowest means value for the obstacles in implementing CSR is 3.03 for no benefits expected from CSR indicates that the respondent realize the CSR as a voluntary basis ,then the benefit from CSR cannot becomes the obstacles. By looking at overall mean it can be assume that in implementation of CSR in construction companies is need more consideration since the respondent seem nearly agree that the listed obstacle will become a barrier of CSR implementation in their construction companies.

5.0 Conclusion

This research has successfully achieved its aims and objectives. It has demonstrated the implementation of CSR by the Malaysian construction companies in Malaysia. The research methodologies were formulated to explore on the interest, opportunities and obstacles of CSR in Construction companies. As a construction companies, to ensure the competitiveness in global world, they should use the CSR as their marketability factor for their companies. Corporate Social responsibility can be a complex issue to implement, which certainly depends on many factors, such as the management's decision to comply with the CSR policy, whether they are at the beginning of the implementation process or they have been maintaining and extending the CSR activities. We could assume a different attitude of individual enterprises in regard to their economic options, e.g. in connection with their turnover. To conclude this research, we can state that the CSR concept has been developed in most of the monitored enterprises. Company management focuses, besides economic aspects, also on social and environmental issues, but certain partial criteria are underestimated or neglected. Among those is dialog with stakeholders, which is reflected in the external part of the social mainstay and also in the economic company mainstay.

6.0 Recommendations To Enhance The CSR Implementation In Construction Industry

Since CSR is everybody responsibility. The government should take a more proactive role in promoting CSR in Malaysia. This includes among others, making sure that the government's policy on CSR avoids any contradiction with the CSR implementation plan. In addition, issues such as regulating the cost for training and purchase of the relevant equipment should also be within the control of the government to ensure the small contractor" can be invited to become active participants of the implementation. In order to overcome the issues and challenges, some of the strategies to increase understanding toward purpose of CSR implementation. Soft law on CSR in construction companies also need to implement by the government or stakeholder. CSR cannot be seen as voluntary basis, must come as a responsibility. The construction companies need to give clarification that CSR not about how they spent money but it is more to how they make money. Intangible aspect of CSR also need to considered to ensure the relationship with the employee and community will be in a long term. And the CSR actives construction companies should train and make showcasing of their best practices regarding CSR implementation. It can be guide others companies because the involvement of companies in CSR practices possibly match with stakeholder theory claim (Salleh & Muhammad, 2011).

7.0 Recommendations For Further Research

It is believed that this study has provided an insight into the important factors affecting the implementation of CSR. However, there could be other factors that needed to be identified. Hence, it is felt that further research needs to be carried out in the regarding the acknowledgement of CSR among the contractor from varies class and other state in Malaysia to have an indication the current implementation of CSR and future view of CSR in construction industry. CSR is not new in Malaysia but more commitment from the majority is needed in order to achieve a sustainable business environment in the near future (Bryan Ching-Wing Lo, 2011)

This research is response to a growing global interest in sustainability, green practices, social responsibility, etc. that have yet to become integral aspects of construction practice. It is time to rethink the value proposition offered by the industry and in line with CSR , a first step is a new understanding of value that considers impact on society as a whole. Society is too important to be postponed over particular customer requirements; it does not mean money is not important, but questions whether profitability should be placed in the first priority or accepted as necessary but not leading. Finally, it is hope that this study would provide motivation to further research on Creating Share Value (CSV) on construction industry to ensure the responsibility and good value among construction companies will be continues and for the globalization process also.

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