Corporate Social Responsibility Practices (CSRP) and ISO 26000 Performance Efforts in Malaysian Automotive Industry

Nurul Fadly Habidin, Nursyazwani Mohd Fuzi, Auni Fatin Nadia Chiek Desa, Siti Norhafizan Hibadullah, Farah Izzaida Mohd Zamri

(1) (Department of Management and Leadership, University Pendidikan Sultan Idris, 35900 Tanjung Malim, Perak, Malaysia)
(2,3,4,5) (Department of Accounting and Finance, University Pendidikan Sultan Idris, 35900 Tanjung Malim, Perak, Malaysia)

ABSTRACT
CSR practices have mostly been analyzed in the manufacturing business. The purpose of this study is to analyze CSR practices implemented by Malaysian automotive industry and the relationship between CSR practices and ISO 26000 performance efforts. CSR practices and ISO 26000 are as a tool for improving competitiveness in order to increase the profitability of the organization. In addition, the aim of this study is to review of CSR practices and ISO 26000 performance efforts. The conceptual model using Structural Equation Modeling (SEM) has been proposed and research hypotheses are being developed. The paper culminates with suggested future research work.

Keywords: CSR practices, ISO 26000, structural equation model, automotive industry

1. INTRODUCTION
In the ASEAN region with a population of more than 500 million people, Malaysia offers vast opportunities in the global automotive and establishing one of the manufacturing and distribution operations in this country. By having rapid economic growth and higher purchasing power of population, Malaysia is the largest passenger car market in ASEAN [1]. However, by increasing globalization under World Trade Organization (WTO) and ASEAN Free Trade Area (AFTA), the government has faced an increasingly strong pressure to liberalize the automotive industry [2]. Therefore, Ministry International Trade and Industry (MITI) have introduced a national automotive policy to encourage local automotive industry more competitive and enhance the development of the Malaysian automotive industry [3].

CSR has a broad concept, complex and expanding across a wide range of ideas and practices [4]. According to Khan [5], CSR is a set of policies, practices and programs that are integrated into the business operations and decision making process in the organization. It means that CSR involves the legal, ethical, commercial and business related to decision making by all stakeholders. Alias et al. [6] presented that CSR has the relationship between business and society towards their key stakeholders such as employees, customers, community and special interest groups. Thus, CSR has a relationship with key stakeholders in order to enhance a positive contribution to society. In addition, the measurement of CSR practices is essential to understand the strategic value of CSR leads to the implications of the business [7]. This is because CSR is a one strategic that could be adopted by the organization to determine the profitability of company. Uadia and Fagbemi [8] also defines CSR is a set of standards which companies in order to provide a beneficial effect on society. Therefore, by using the CSR practices in the automotive industry, it can affect the society and environmental.

In order to meet the demands of CSR, this paper focuses on ISO 26000 to discuss the standard for social responsibility [9]. ISO 26000 is guidance on social responsibility and it can be used as public policy activities of the organization. They also stated that CSR has emerged during the development process ISO 26000. Mckelvey [10] explained variety of factors that contributed a decision to create ISO 26000 related to social responsibility. CSR practices and ISO 26000 is closely related to social responsibility to ensure that the company can comply with the standards set. ISO 26000 provides guidance for the integration and social responsibility within the organization [11]. They mentioned that it is very likely that ISO 26000 social responsibility standard will affect the highly influential in the future.

Furthermore, ISO 26000 measures based on the fundamental practices of social responsibility, monitoring and other techniques to assess the behavior and commitment [12]. ISO 26000 classified two fundamental practices which are recognizing social responsibility and stakeholder identification and engagement. In automotive industry which is rapidly increasing, the demand for CSR practices and ISO 26000 is required, as many car manufacturers require suppliers to obtain it [13]. It shows that automotive industry requires CSR practices and ISO 26000 to be more competitive and ability to continue operating effectively. Thus, we believe that an exploration of the CSR practices and ISO 26000 will benefit the automotive industries.
2. LITERATURE REVIEW

CSR is a business obligation to pursue policies, make decisions, and follow the guidelines in terms of objectives and values of society [7]. It is stated that the companies need to use social responsibilities in accordance with the policies and guidance that has been set to ensure companies successfully. Besides that, research by Alias et al. [6] CSR practices is give priority to the welfare of society in order to receive consideration among stakeholders. This indicates that the business corporation needs to convince stakeholders to actively engage CSR, for example enhancing the relationship with the community, employees and customers. Therefore, CSR practices emphasize social and environmental aspects of all stakeholders, society and the environment [14; 15].

CSR is conceptualized as a six dimensional constructs which are employee involvement, customer focus, environment, corporate governance, community and society, and human right. The description details regarding the development of the CSR construct are to provide as the following paragraph.

2.1 Corporate Social Responsibility Practices

Tan and Komaran [16] argue that CSR practice help to create strategic benefits in automotive industry. The findings shows that CSR practices can assist companies to increase sales, product positioning, motivate employees, reduce operating costs, and enhance investors and financial analysts. CSR practices has a role in the society which it has an obligation in the needs of society either the interests of shareholders or their self-interest [17]. The CSR practice also be used to guide the companies of society and will increase awareness for the importance of CSR. According to Vicianova [15], CSR also has a commitment to improve society well-being through discretionary business, contributions of corporate resources and also consider the interest of shareholders, employees, community and society, and customers [18]. Thus, good CSR practices not only on the company but also to stakeholders.

To generate a different constructs, an analysis of the proposed concepts was performed. Table 1 presents CSR practice constructs by different authors for each constructs.

Table 1: CSR constructs

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Related Constructs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Involvement</td>
<td>Employee engagement [19; 20], employee commitment [21], employee perception [22], and employee involvement [23].</td>
</tr>
<tr>
<td>Customer Focus</td>
<td>Customer satisfaction [24; 25], customer relationship [26], and customer perception [27].</td>
</tr>
<tr>
<td>Environment</td>
<td>Environment friendly [28;4], and environmental [29; 30; 31].</td>
</tr>
</tbody>
</table>

Table 2: Measure of CSR

<table>
<thead>
<tr>
<th>CSR Measures</th>
<th>Items</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Involvement</td>
<td>Quality employees, employees’ attitude, motivation and training, employees’ commitment, employee satisfaction, profit margin, employee stock ownership, and information sharing</td>
<td>Jones and Kato [48]; Classon and Dahlstrom [49]; Luo and Bhattacharya [24]; Zheng [22]; Stancu et al. [23]; Loureiro et al. [25]; Shergill [27].</td>
</tr>
<tr>
<td>Customer Focus</td>
<td>Productivity, customer perceptions, customer loyalty, customer attitudes, customer satisfaction, demands for goods, market value, customer retention rate, and product quality.</td>
<td></td>
</tr>
</tbody>
</table>
Environment | Environmental quality, emission of pollutions, environmental protection, minimum use of resources, and environmentally friendly.

Corporate Governance | Effective decision making, and comply with rules and regulations.

Community and Society | Community oriented, sale of product, commitment, community welfare, and social capital.

Human Right | Codes of conduct, human rights obligation, human right commitment, social justice, and human of interest.

Handelman and Bello [36]; Leisinger [40]; Compa [43]; Lyon and Maxwell [28]; Okafor et al. [29]; Ismail [38]; Rabet [41]; Arora and Dharwadkar [34]; and Weigel [42].

2.2 ISO 26000 Standards

International Organization for Standardization (ISO) has launched the ISO 26000 international standard on social responsibility [9]. Study by Min [50] explore the role of business ethics and social responsibility among Malaysian managers in relation to the adoption of ISO 26000 social responsibility. The finding shows that still lacking the knowledge and experiences in implementation tools to engage in social responsibility especially any of the well recommended social responsibility initiatives.

In addition, ISO 26000 standards provide guidance social responsibility among interest groups and encourage the implementation of best practices of corporate social responsibility [51]. International Standard ISO 26000 [52] provides guidelines on principles to integrate social responsibility in terms of strategies, systems and processes and it can be used by all types of organizations. By implementing ISO 26000, the benefits of ISO 26000 are ability to attract and retain employees or customers, increase employee motivation, commitment and productivity, identify the financial community, and increase relationship between customers and the communities in which it is operating [53].

According to Kosi and Harazin [12], the aim of this study is to examine the two fundamental practices of ISO 26000. The two fundamental practices of CSR include recognition of social responsibility and stakeholder identification and engagement. Table 3 shows the ISO 26000 measurement.

<table>
<thead>
<tr>
<th>Clause</th>
<th>Measurement</th>
<th>References</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recognizing social responsibility</td>
<td>Guidance on the relationship between organizations, stakeholder and society.</td>
<td>International Standard ISO 26000 [52]; Nisipeanu et al. [51]; and Ward [54].</td>
</tr>
<tr>
<td>Stakeholder identification and engagement</td>
<td>Emphasis on identifying and engagement stakeholders towards social responsibility in order to achieve the goals.</td>
<td></td>
</tr>
</tbody>
</table>

For recognizing social responsibility, there have three relationships between organizations, stakeholder and society. International Standard ISO 26000 stated that organizations need to understand the decisions and activities on society and the environment, an organization must be aware of the stakeholders, and organization must understand the relationship between the stakeholders and society's expectations.

Stakeholder identification is to determine the location, scale, and nature of the operations for the stakeholders [55]. Based on this study, the interests of stakeholders may be associated with social responsibility and give importance to the society.

Studied by International Standard ISO 26000 [52] and Suntory [56], stakeholder engagement can be used to increase the organization decision making and activities on specific stakeholders, increase the beneficial impacts of decision and activities, determine social responsibility organization is trustworthy or not, improve the company’s performance, fulfill legal obligation, conflict of interest, enhance transparency, and achieve mutually beneficial objective. Thus, effective stakeholder engagement is based on good faith and beyond public relations.

2.3 The Relationship between Corporate Social Responsibility Practices (CSR) and ISO 26000

ISO 26000 provides guidance to businesses and organizations to operate in a socially responsible way. According to Nisipeanu et al. [51], ISO 26000 standard provides guidance on specific stakeholders and it encourages the implementation of best practices in corporate social responsibility worldwide. Meanwhile, Park and Kim [57] said that the study is significant of CSR practices and ISO 26000. They also mentioned that by having demand for
CSR, it enhance the ISO 26000 standard for all organizations, including companies and can help to improve the image of the company to the customer.

Vazquez and White [13] explained that the automotive industry requires CSR practice and ISO 26000 to be more competitive. This is because ISO 26000 provides a larger space for decision making related to CSR practices [11], and ISO 26000 provides guidance towards greater awareness of CSR practice in the company [58].

3. A PROPOSED CONCEPTUAL MODEL
Based on comprehensive review of previous study, a conceptual model has been proposed to model the relationship between CSR practices and ISO 26000 as presented in Figure 1. This proposed model has adopted from the previous studies. To understand the relationship of CSR practices and ISO 26000 in Malaysian automotive industry, the following hypotheses were set up to be tested. According to the literature review, these hypotheses will be stated based on the numbering system from H1. This style of hypotheses statement is chosen due to the nature of answering hypotheses using structural equation modeling methods.

H1: There is a positive and direct significant relationship between CSR practices and ISO 26000 performance efforts in Malaysian automotive industry.

![Fig 1: Research Model](image)

4. METHODOLOGY
The Malaysian automotive industry is characterized by the structure of the domestic manufacturing to develop the production of passenger vehicles [59]. This population of the study is used in the Malaysian automotive industry. Sample used is composed of the total population and population characteristics [60]. In this study, sampling method by using structured questionnaire. Questionnaires will distribute to respondents from the listing of automotive industry obtained from Malaysian Automotive Component Parts Association (MACPMA), Proton Vendors Association (PVA), and Kelab Vendor Perodua. To analyze the data, one statistical technique was adopted. Structural equation modeling techniques was utilized to perform the required statistical analysis of the data from the survey.

Having analyzed the measurement model, the structural model was then tested and confirmed. Structural Equation Modeling (SEM using AMOS 6.0) will use to test the measurement model. The statistical Package for the Social Sciences (SPSS) version 17 was used to analyze the preliminary data and provide descriptive analyses about thesis sample such as means, standard deviations, and frequencies.

5. FUTURE RESEARCH
For future research, it may provide deeper insight into relationship between CSR practices and ISO 26000. However, no previous study had tried to investigate the relationship between CSR practices and ISO 26000, especially amongst automotive industry in Malaysia. A conceptual model has been proposed to examine the relationship between CSR practices and ISO 26000 for Malaysia automotive industry. This study is to develop research model of the CSR practices and ISO 26000 performance efforts relationship for Malaysian automotive industry. Based on proposed model and a previous studied, research hypotheses are being develop. The next step of this study is to design a questionnaire, which will be used for pilot study data collection in Malaysia automotive industry.

6. CONCLUSION
This study is conducted to investigate the influence of CSR practices and ISO 26000 in Malaysian automotive industry. CSR practices are an important business strategy that can be profitable and enhance social value in Malaysian automotive industry. Also, each of the CSR practices will enable an organization to identify the main impacts on society. Besides that, the company needs to use CSR practices to be the most significant to implementing ISO 26000 performance efforts. After reviewing CSR practices and ISO 26000, we believe that exploring the structural relationship between CSR practices and ISO 26000 performance effort will benefit the Malaysian automotive industry in order to success and sustain quality improvement and organizational performance.

ACKNOWLEDGEMENT
The researchers would like to acknowledge the Ministry of Higher Education (MOHE) for the financial funding of this research thought Fundamental Research Grant Scheme (FRGS), and Research Management Centre (RMC), UPSI for Research University Grant (RUG).
REFERENCES


