

LINKING CORPORATE SOCIAL RESPONSIBILITY TO SUSTAINABLE DEVELOPMENT: A CONCEPTUAL FRAMEWORK FOR CHEMICAL INDUSTRIES IN MALAYSIA

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ABSTRACT

With the rapid industrialization, chemical industries have emerged as one of the major contributors to Gross Domestic Product (GDP) of Malaysia. To ensure Sustainable Development (SD) for the country, the government requires all the public-listed companies including chemical industries to disclose their Corporate Social Responsibility (CSR) activities to the public. However, both CSR and SD concepts are accused of being contradicting and often vaguely used by the industries. The present paper aims to draw the relationship between CSR and SD concepts using grounded theory methodology. There were 626 chemical companies recorded in Malaysia, only 208 of them have disclosed their CSR reports and a total of 61 aspects were reported. The links between levels of CSR of chemical industries in Malaysia and dimensions of SD were determined based on the empirical analysis of 208 chemical companies' CSR reports. A conceptual framework was developed to explain the links between CSR levels and SD dimensions in the context of chemical industries in Malaysia.

Keywords: Corporate social responsibility, economy, environment, social, sustainable development.

INTRODUCTION

In Malaysia, rapid economic development has triggered the emerging of chemical industries as one of the major contributors to Gross Domestic Product (GDP) of Malaysia [1]. Chemical industries often receive perception of being self-serving and profit-seeking at all costs and it is not surprising that the perception is that industries can only prosper at the cost of society and the environment. As the nation plans to bolster the industries competitiveness, sustainable development (SD) hence becomes important to develop industrial production process in order to ensure fairness and to achieve sustainability in the good and interest of companies [2]. Corporate Social Responsibility (CSR) hence is the response of industries redresses this negative perception.

Van Marrewijk relates CSR and SD to company businesses indicating the involvement of social and environmental voluntarily into company activities and synergy with stakeholders, stressing the significance of environmental, social, voluntariness, stakeholder and profit aspects [3]. In 2007, Malaysian government imposed all the public-listed companies to perform their CSR disclosure to the public as one of the initiatives towards SD. However, both CSR and SD concepts are accused of being contradicting and often vaguely used by the industries. The present paper aims to determine the links between CSR and SD concepts using grounded theory methodology. The links between levels of CSR and dimensions of SD were determined according to empirical analysis of CSR reports of chemical industries in Malaysia. A conceptual framework will be developed to explain the links between CSR levels and SD dimensions in the context of chemical industries in Malaysia.

METHODS

Grounded theory was used in this study to develop a reaction to the lack of sufficient tool for theory discovery, the concerns over the predominance of quantitative methods in social sciences, and the likelihood to test existing theories [4], [5]. Grounded theory is strategized to develop and build theory from data and observations and it aims to minimize the difference between empirical research and theory [5]. Systematic approaches proposed by Glaser and Strauss based on grounded theory were adopted to analyze qualitative data. The analysis uses specific coding and analytic procedure that help to evaluate, develop and link the concepts that make the construction of theory more organized and creative. Firstly, both of the Carroll's CSR model and sustainable development concept were compared to identify the key levels and dimensions of the data to be gathered [6]. The levels are economy, legal, ethic and philanthropy whereas the dimensions are economy, social and environment. Secondly, CSR and sustainability reports of the recent year (i.e. 2014) were collected from the population of 626 chemical companies in Malaysia that are registered with the Federation of Malaysian Manufacturers (FMM), the Chemical Industries Council of Malaysia (CICM) and the Companies Commission of Malaysia (SSM). Out of 626 chemical companies, 208 of them have disclosed their reports and a total of 61 aspects were reported. The data collected from these company reports were reviewed and categorized aspects into 12 "dimension-level" based on literature review about CSR and SD. By integrating all the aspects into "dimension-level" based on Carroll's CSR model and sustainable development concept, a conceptual framework was developed to explain the links of CSR and SD in the context of chemical industries in Malaysia.

RESULTS

The Formulation of Conceptual Framework

CSR and SD have their own values and not simply empirical concepts. According to Hart, SD have two main strategies which are preventing pollution and minimizing environmental impact [7]. To achieve these strategies, a company needs to implement CSR, which aims to decrease the emissions using continuous progress methods, focuses on explicit goals rather than count on costly method to prevent pollution [8].

The conceptual framework developed in this paper is based on the CSR model proposed by Carroll (Figure 1) whereby the levels of CSR were mapped towards SD dimensions to determine the aspects to be covered for the conceptual framework [6,9]. Figure 2 shows the conceptual framework that links CSR to SD in the context of chemical industries in Malaysia whereby there are twelve components of “dimension-level” identified, namely economic, environmental economic, social economic, economic legal, environmental legal, social legal, economic ethic, environmental ethic, social ethic, economic philanthropy, environmental philanthropy and social philanthropy. The 61 aspects recorded by 208 chemical companies in Malaysia were then mapped towards these twelve components that link CSR to SD. Table 1 shows aspects reported by chemical industries in Malaysia based on the conceptual framework formulated in Figure 2.

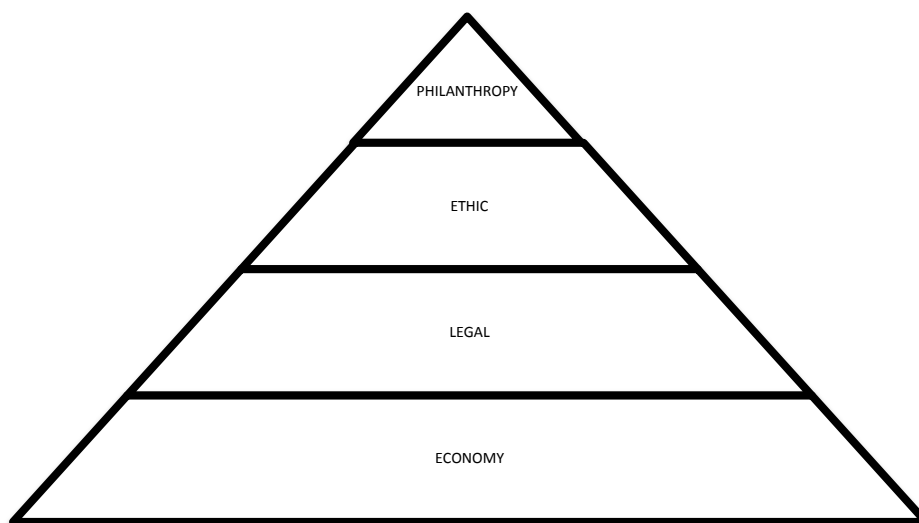


Figure 1. The hierarchy of social responsibilities [9]

Table 1. Aspects reported by chemical companies in Malaysia.

	SOCIAL	ENVIRONMENT	ECONOMIC
PHILANTHROPY	Community engagement Type of community programs No of community programs No of volunteers for community programs	Environmental programs Green building Program to reduce greenhouse gases Environmental conservation effort Implementing and maintaining environmental sustainability Biodiversity conservation Animal welfare	Charitable contributions Amount of donation Type of donation
ETHIC	a) Management Policy No child labour No forced labour Policy of Code of Conduct No Gift Policy Policy on HIV/AIDS Whistleblowing Policy	b) Employee rights Measurement, feedback and action on employee Employee training Privacy equal and opportunities Diversity (gender, age, region) No of employees Respect human right Wellness programs for employee and their families Transparency	Employee benefits Employee salaries and bonuses

LEGAL	a) Safety and health No of fatalities Employees' lost-time incident Safety and health hazard recognition and risk assessment Mitigation and prevention action	a) Environmental policy and compliance Climate change risk assessment Life cycle assessment Optimizing environmental policy Environmental compliance Policy substance misuse	b) Waste management Total hazardous waste production Total non-hazardous waste	Products Product and service labelling
	b) Law - Labour law	c) Water quality Total treated water discharged Total fresh water used Volatile organic carbon Total organic carbon Total phosphorus in waste water Total nitrogen in waste water	d) Air quality Total CO ₂ emission Total Nitrogen emission	
ECONOMY	Stakeholders engagement Publish shareholder info Corporate info Engage all the stakeholders in the company	a) Resources efficiency Total water consumption Total energy used Type of renewable energy used b) Recycle activities Recycle water Recycle waste		Financial performance Revenue Property and assets

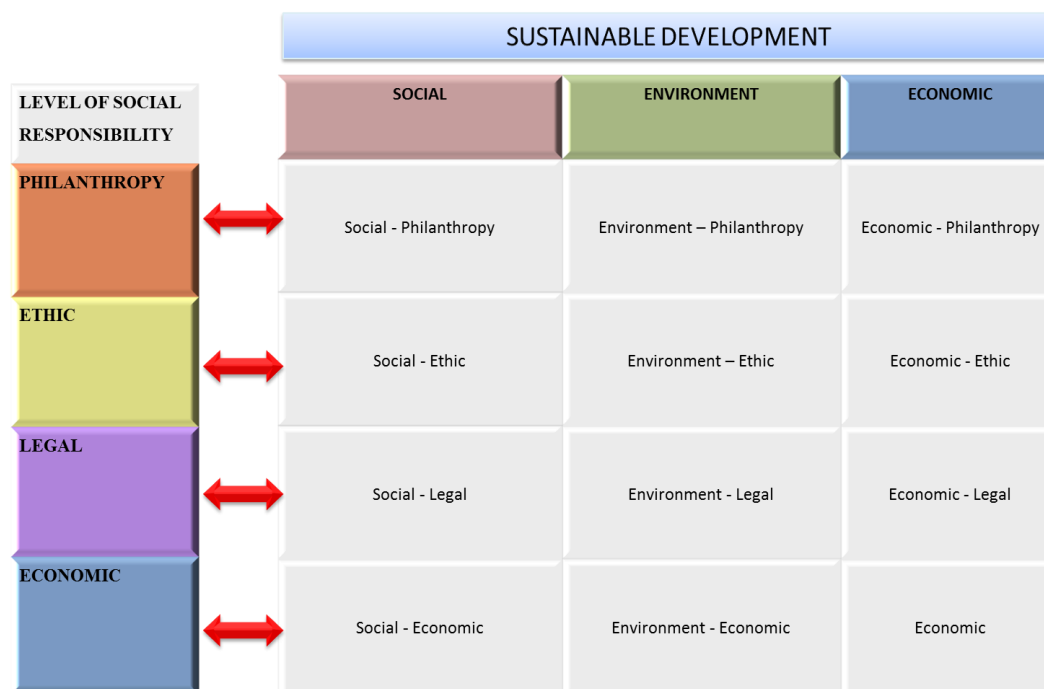


Figure 2. The conceptual framework for chemical industries in Malaysia.

DISCUSSION

Economic Responsibilities for Sustainable Development

Among the levels of CSR, economic responsibilities are of the most concerned. Carroll and Poitras agreed that companies are considered consistent when they perform a business in a social behavior that increase earnings per share, maximize the productiveness, be a powerful competitive position and high level of business effectiveness [6, 10]. For a large company that has extra resource, it allows the company to involve in various innovative projects to enhance competitive advantages and boost their economy [11]. However, for a company has less resource, the company can choose to prioritize in company activities and focus on assign the resources towards profit-oriented activities rather than involving in CSR activities [12]. As such, a company needs to identify their importance in community and apply social, ethical, legal and responsible guidelines into business activities because without either one of those roles, sustainable development will never be achieved [13,14].

In the context of chemical industries in Malaysia, financial performance including revenue, property and assets were reported as a means of economic responsibilities towards shareholders as it was stressed by Friedman that the biggest role of a business activity is to maximize its income [15]. Based on Carroll and Shabana, profit carry out three main objectives based on the classical economic view [16]. The first one is to identify the effectiveness of business operations; second, it consists of 'risk premium' that is required for the companies to remain in business; lastly, it shields the future amount of stocks. Economic responsibilities are not to measure the maximum profit from business activities, but to measure the minimum must be produced.

For environmental economic responsibilities, resources efficiency and recycle activities were of concerns. Total water consumption, energy and renewable energy used, water and waste recycling are monitored to maintain a high level of environmental efficiency because environmental economic responsibilities are known as companies' efforts to ensure the corporations to minimize the risk of their activities on the environment while maximizing the benefits [17].

World Business Council for Sustainable Development concerns about profit, society and stakeholder in CSR whereby it emphasizes CSR as the continuous responsibility by companies to operate in ethical manner and devote to economic growth while enhancing the quality of life of the employees and their stakeholders [18]. Engaging all stakeholders in the process of planning, operating and communicating shareholder and corporate information are of the means of social economic responsibilities, not only to increase profit but also take into account of social aspect [19].

Legal Responsibilities for Sustainable Development

Carroll mentioned that legal responsibilities are to operate a business in a consistent behavior that complies with government and law, obey with different regulators and known as corporate citizen that law-abiding [6]. For a fruitful company, it is necessary be known as one that obey its legal responsibilities and run business activities that at least meet minimal legal requirements. Legality can be classified into three categories which are compliance, avoidance of civil litigation and anticipation of the law [20].

According to Schwartz and Carroll, companies will avoid any likely current or future civil lawsuit for careless in business activities, because they conscious that they might be sued for their careless [20]. Therefore, companies implement a legal defensive strategy in their business operation to settle possible lawsuits. Product and service labeling were reported as a means to meet economic legal expectation [9]. Society also has allowed the economic order by letting business operation to assume the effective role, a partial achieve of the laws and regulations under which condition business to operate [9].

Environmental legal responsibilities can be explained by Tsoutsoura where achieve a greater success in the ways that honor ethical norms and respecting people, society as well as natural environment [21]. There are four aspects reported by the chemical industries as a means for environmental legal responsibilities, namely environmental policy and compliance, waste management, water quality and air quality. It is essential for the chemical industries to perform climate change risk assessment, life cycle assessment, optimizing environmental policy, environmental compliance and policy substance misuse. In terms of waste management, environmental legal responsibilities cover hazardous and non-hazardous waste management. Water quality covers total treated water discharged, total fresh water used, volatile organic carbon, total phosphorus in waste water and total nitrogen in waste water. Air quality includes total CO₂ and total nitrogen emissions. Disclosing the environmental performance data to the public shows a positive image to the public. All of the aspects mentioned is based on issues of different concerns to businesses rely upon the type of industries in which they exist along with the aspects [6]. For example, manufacturing company is considerably more concern with the issue of environment quality compared to insurance company.

Social legal responsibilities are actions that turn out to further some social pleasant, over and above the interest of the form and that which is enforced by law. This can be explained by Bowen which social responsibilities are the obligation of corporations to follow a set of policies, finalize a decisions or pursue steps of action that are desirable in terms of aims and honor of our society [22]. Safety and health aspects cover number of fatalities, employees' lost-time incident, mitigation and prevention action for accident, safety and health hazard recognition and risk assessment. Compliance to labor law was reported as a means for law-abiding in corporate citizen.

Ethical Responsibilities for Sustainable Development

Ethical norms are known as equity and justice hence, ethical responsibilities refer to any action and behavior that are predicted or restricted by society group although they are not coded in law. Carroll mentioned that it is required for a company to operate in a consistent manner with the expectations of societal mores and ethical norms to recognize and respect new or evolving ethical norms from being ignored in order to achieve corporate goals, it is important that good corporate citizenship be known as doing what is predicted morally or ethically and to identify that corporate honor and ethical behavior go over mere compliance with laws and regulations [6]. In this case, it is important whether the companies apply moral norms and values in their activities as individuals do [23]. The accumulation of the ethical and unethical behaviors of a company's workers forces the companies to have moral duties because it is a part of business ethics of a company [33]. This is the reason why companies provide ethical codes of conduct and workers in each level are obliged to comply with these codes because the decision they make is a part of their duty.

The economic ethics responsibilities can be seen as an ethical action based on theory that offer the good of society, or else specially when the action is meant to enhance economic benefit for example minimize net cost to community when distinguished to all of the other options [24]. This aspect is possibly consist of a high category of corporate activity and can relate with "emergent ethical" corporation, which Reidenbach and Robin described as a management of company urgently seeks a greater balance between profits an ethics [25]. Hence, employee salaries and bonuses are important to avoid ethical standard from being ignored in the process to accomplish company objectives.

Environmental ethic responsibilities are about social reactions that link to environment management [26]. Therefore, reporting and management plan is substantial to identify corporate honor and ethical behavior further away from agreement with laws and regulations. The aspects reported were incident and potential hazard, industrial hygiene, crisis

management plan and product stewardship which in ethical expectation, business should manufacture safe product for the environment [9].

Carroll mentioned that social ethic responsibilities refer to those standards, norms or expectations that revert a responsibility for what workers, shareholders and the society regard as fair, just or in keeping with the respect or to protect of stakeholders' moral right [6]. There are two main concerns reported which are management policy and employee rights, to identify and honor new or evolving ethical moral norms used by community and to operate in a constant behavior with the anticipation of social mores and ethical norms. Aspects reported were no child labor, no forced labor, policy of code of conduct, policy on HIV/AIDS and whistleblowing policy. Whereas for employees right were feedback and action on employees, employee rewards and recognition, diversity based on gender, age and region, employee benefits, number of employees, employee training, privacy and equal opportunity, wellness programs for employees and their families, transparency and respect human right.

Philanthropic Responsibilities for Sustainable Development

As defined by Carroll, the philanthropic responsibilities are to operate in a consistent behavior with the philanthropic and society charitable expectations, to help the fine and performing arts, it is important that managers and workers participate in voluntary and charitable activities within their local society, to supply assistance to private and public educational organization to voluntarily assist those projects that improve the quality of life of the society [6]. Return time and money in the form of voluntary activities is where most of the controversies over validity of CSR lies. Abdulrazak and Ahmad found philanthropy to be the most common form of CSR in Malaysia whereby the public tends to misunderstand CSR is merely doing a charity and not knowing charity is only part of philanthropic responsibilities in CSR [27].

Lougee and Wallace defined economic philanthropic responsibilities as obligations to their communities, customers and employees that should not be subordinated, but at least giving a fair priority with their economic objective that is creating profits for their shareholders [28]. The type and amount of donation were reported by chemical industries in Malaysia as means for economic philanthropic responsibilities to give positive impact to the community. Bruch argued that many companies used philanthropy to enhance their company image in gaining competitive advantage [29].

Environmental philanthropic responsibilities were taken as commitments to boost the quality of the environment through their operation based on voluntary practices on an ongoing basis [30]. Environmental philanthropic programs that have been conducted by chemical industries in Malaysia are green building, reducing greenhouse gases, environmental conservation, implementing and maintaining environmental sustainability, biodiversity and animal welfare. And, these voluntary initiatives have provided environmental awareness to the employees and communities towards SD.

According to Carroll, social philanthropic responsibilities are movement that indicate corporate behavior, precaution and implementation of social aspect [6]. In accomplishment perspective, it is clear that firms should specifically define and fulfill social objectives and programs. Hence, community engagement is one of the important criteria that falls under social philanthropic aspects which is to increase the quality of life of the society and to improve the relationship between the company and community. Under community engagement, there are three related sub aspects which are type of community programs, number of volunteers and type of voluntary programs.

CONCLUSION

A conceptual framework has been developed in this paper using grounded theory methodology whereby the foundational concepts of CSR levels and SD are integrated to determine the links of CSR to SD in the context of chemical industries in Malaysia. There were 626 chemical companies recorded in Malaysia, only 208 of them have performed their CSR reporting and a total of 61 aspects were reported. These aspects were taken into account of the conceptual framework to determine the links between the CSR levels and the SD dimensions. The conceptual framework presents a full construct by which to better distinguish CSR activities towards SD. The aspects reported by chemical companies in Malaysia is evident to comply with the twelve components (dimension-level) identified in the conceptual framework. However, at the operational level, companies should operate with an increasing rapid changing pace by understating how holistic CSR can create value to strengthen their companies' performance towards SD.

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