



# **Corporate Social Responsibility in Malaysian Apparel Manufacturing Industry: A Study on Corporate Social Responsibility Website Reporting**

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## **ABSTRACT**

A well planned and implemented corporate social responsibility (CSR) programs could give any company a competitive advantage over its competitors. However, the way it is communicated to its stakeholders will be one of the deciding factors. This study examines how the WRAP certified apparel manufacturers in Malaysia communicate their CSR programs on their company website. This study identifies the dimensions of CSR they focus while they communicate their CSR initiatives to their stakeholders and how companies use their company website to communicate their CSR related activities. The study employed the content analysis technique and descriptive statistics using percentages to analyze the company websites. The companies CSR activities were divided into 5 dimensions namely employee relations, product quality, community relations, environmental issues and diversity issues. Findings suggest that the Malaysian apparel companies understand the importance of CSR and consider it as one of the factors which can give the companies an edge over their competitors. However the companies can still improve in their communication by using more pictures and giving some specifics about the product quality and diversity dimension. Furthermore, the remaining 40% of the companies have to understand the importance of CSR and communicate their CSR related activities on their company website.

**Keywords:** Corporate Social Responsibility, Communication, Apparel Industry, Malaysia

**JEL Classifications:** M000, M10, M14

## **1. INTRODUCTION**

In today's business world the business leaders have to take their organization not only to profit making but also they need to see that their organization commits itself for the corporate social responsibility (CSR). McWilliams and Siegel defines CSR as "actions that appears to further some social good, beyond the interest of the firms and that which is required by the law." With all else being equal, companies that take active role in promoting and implementing their CSR are generally viewed more favorably than those which do not have highly visible programs. The concept of CSR is receiving spectacular attention in recent years both from the business practitioners as well as academicians in different parts of the world, and there is no exception from the Asian countries to this phenomenon. The term of CSR has become a significant issue in Malaysia's business context. However, it is important for

the business organization to communicate their CSR initiatives efficiently to its stakeholders to reap the benefit of their effort on the CSR activities/program implementation. The present study will analyze the pattern of the communication of Malaysian WRAP certified apparel manufacturing factories.

## **2. LITERATURE REVIEW**

### **2.1. CSR in Malaysia**

Malaysia has demonstrated an increasing awareness of CSR in recent years, where more of non-governmental organizations and professional accounting bodies such as the Federation of Malaysia Consumer Association, Consumer Association of Penang and World Wide Fund for Nature Malaysia, Business Ethics Malaysia and Association Certified Chartered Accountant are actively involved in promoting CSR awareness and initiatives among

public companies. The Malaysian Security Commission views CSR as part of corporate governance where CSR will strengthen the framework on good corporate governance. Companies are expected to practice good governance and be accountable for the ways they conduct their businesses. This view is based on the wider interests of other stakeholders such as employees, consumers and the society at large towards companies' activities. The Malaysian government's efforts in promoting CSR practice can be observed by incorporating CSR practices within the government-linked companies' Transformation Plan 1, the 9<sup>th</sup> Malaysia Plan, and the national budgets. In addition, the government has also incorporated CSR as an integral part in achieving Malaysia's vision 2020 and in strategic objectives of National Integrity Plan.

The study on "CSR of Malaysian Listed Property Companies" found that very few property companies in Malaysia are making efforts to carry out CSR practices in their businesses. The highest CSR disclosure is community involvement followed by environment, marketplace and workplace. It was also found that significant number of the lowest ranking companies suffered losses during the period under study and significant proportions of the top ranking companies were big size corporations and paid higher audit fees. The finding from the study "CSR by the Malaysian Telecommunication Firms" indicates that the CSR disclosure level is increased moderately during the period under study. On the other hand, at the disclosure level themes, it shows some variability's on the amount of CSR information's disclosed by the firm's and this could be related to the firm ownership's structure. The research findings of the research "The Current state of CSR Among Industrial companies in Malaysia" indicates that there is a positive relationship between CSR and the company's turnover but no apparent relationship is noticed with company's capital. Relationship between CSR and companies profitability is also found to be positive but weak. More disclosures by local companies as compared to their foreign counterparts are another noteworthy finding. Overall, CSR level of industrial companies in Malaysia is increasing both in terms of amount of disclosure and number of participating company. The research on the CSR practice in SMEs under the title "CSR and SMEs: Exploratory study on motivation from the Malaysian perspective" showed that the Malaysian SMEs were mostly practicing CSR because of their own beliefs and values, religious thoughts and pressure and encouragement from stakeholders.

## 2.2. CSR Communication

CSR as a topic of research is widely studied in the developing countries and it has increased attention from the developing countries as well. However, the way in which the companies communicate their CSR strategies is yet to be explored in detail especially in the apparel industry. There are many studies on CSR communication which has highlighted the importance of CSR communication to build a good brand reputation for the company (Skard and Thorbjørnsen, 2013). In one of the research conducted on the leading apparel specialist retailers, it was found that only 5 companies had some information related to CSR on their websites in the year 2011; however the number increased to 17 in the year 2012. Most of the information was related to the environmental issues (Mann et al., 2014). The content analysis on the corporate

website of 100 companies in the list of fortune 500 companies showed that the corporate websites are not utilized properly by the corporate to communicate properly to the intended audience (Esrock and Leichty, 1999). The present study intends to analyze on how the apparel manufacturing companies communicate their CSR programs on their company websites.

## 3. RESEARCH METHODOLOGY

The present study analyzed the company websites of all the 10 WRAP certified apparel manufacturers in Malaysia. In total there are 10 WRAP certified manufacturers in Malaysia. The factories were divided into three broad categories namely gold rated, silver rated and platinum rated based on the rating given by the WRAP certifiers. There are 7 gold rated and 3 platinum rated WRAP certified factories in Malaysia. The websites of each of these companies were examined for any CSR related information, defined as corporate discourse and/or programs that constitute (a) responsibility towards the consumers, employees, and other stakeholders; (b) responsibility towards the environment; and (c) responsibility towards community development (Besser, 1998). The CSR activities were grouped into 5 different dimensions of CSR based on the focus of the CSR programs. The 5 dimensions are: (1) Employees relations, (2) environmental issues, (3) product quality, (4) community relations and (5) diversity issues. The CSR information of the companies were recorded using a performa designed in a excel sheet. The information related to the companies CSR activities were recorded under different headings namely information related to CSR, separate CSR board, pictures related to CSR, details of CSR initiatives and area/dimension of CSR. The company which had information related to the CSR was marked as "YES" and the companies which did not give any details with regards to CSR was mentioned as "NO." Furthermore, all the details of the company's CSR was documented under the section details of CSR initiatives and grouped based on the dimension of CSR which the companies CSR program. The collected data was analyzed using the simple descriptive statistic using percentages.

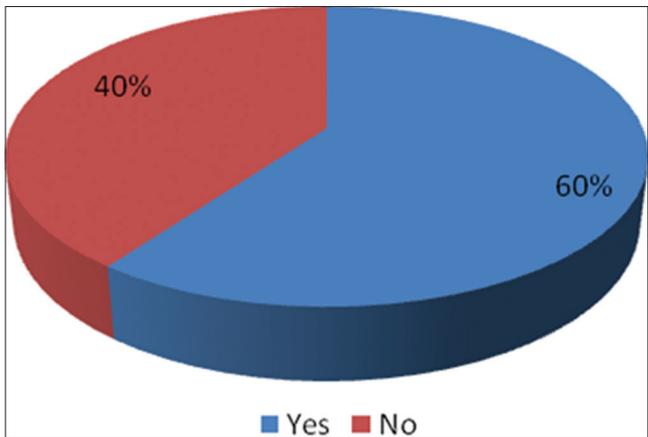
## 4. RESULTS

As shown in the Figure 1 that only 60% of the WRAP certified apparel manufacturers in Malaysia give details about their CSR initiatives on their company websites. This shows that there is an awareness regarding the CSR among these apparel manufacturers.

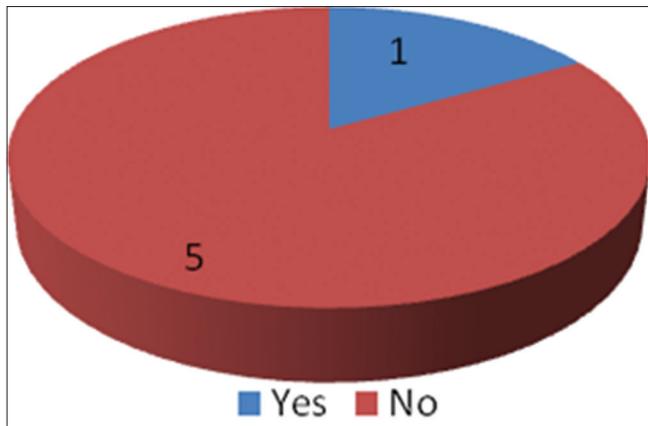
Furthermore, As shown in the Figure 2, out of these 80% of the companies which give information on the CSR activities of the company all the companies have given more emphasis on communicating the CSR initiatives of the company by using some of the pictures related to their CSR programs.

As shown in the Figure 3 below, it has to be noted that only one company has a separate CSR board, remaining companies do not have a separate CSR board to handle the CSR related programs. However, one out of the remaining 5 apparel companies had mentioned a person's name separately for all the activities related to CSR of the company.

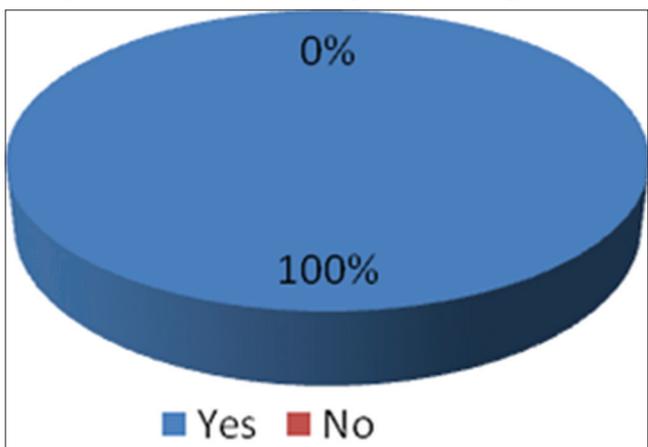
**Figure 1:** Information related to corporate social responsibility



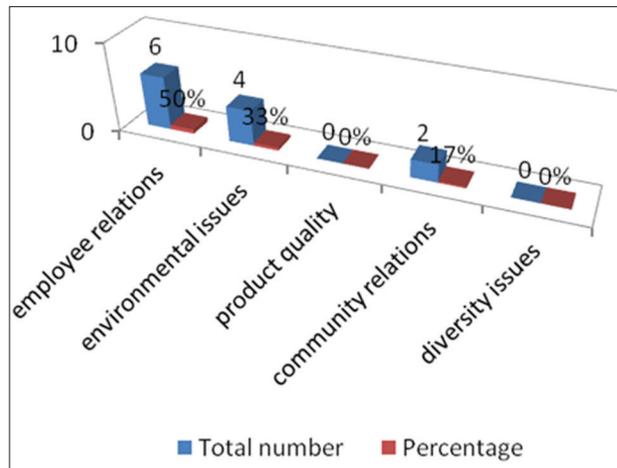
**Figure 3:** Information related to corporate social responsibility board



**Figure 2:** Pictures related to corporate social responsibility



**Figure 4:** Corporate social responsibility program of the company



Another interesting finding is the breakup of the CSR programs which the companies are involved. It was found that 50% of the CSR programs of the company were related to the employee relations and 33% of the CSR activities were focused on environmental related issues. Only 17% of the CSR activities were focused on the community development and there were no CSR programs related to the product quality and diversity issues. The chart above (Figure 4) shows the breakup of the CSR programs of these companies.

### 5. DISCUSSION

The websites provides a strategic advantage to the company as it is a continuous interactive process rather than a onetime of just giving details annually in their company’s annual report (Antal et al., 2002). There are previous evidences to show that CSR has an effect on the company’s performance. So it is very important for the companies to communicate their CSR to their intended stakeholders in a positive way (Esrock and Leichty, 1999). The present study which analyzed the websites of the apparel companies in Malaysia shows that there is still scope for improvement in terms of CSR communication of these companies as only 60% of the companies gave information on their CSR companies and the balance 40% are yet to understand the importance of communicating their CSR programs to their stakeholders. The findings is consistent with the

findings in the study conducted by (Esrock and Leichty, 1999) which shows that the companies have are not using their websites effectively to communicate about their organization. However, the study shows a better result in terms of CSR communication on companies website which was conducted in India by (Chaudhri and Jian, 2007) where they concluded that the companies giving the CSR information is low, whereas the present study conducted in Malaysia has shown that more than 50% of the companies are giving their CSR related programs information on their company websites. Further the study has shown that the organization which understands the importance of CSR have emphasized more on this by having different CSR programs and also highlighting this using picture in their company websites. However, the study differs from the findings of the research by Mann et al., between the year 2011 and 2012 where they found that most of the apparel retailers in the US have given details of the CSR activities related to the environment issues. The findings of this study has shown that about 50% of the companies were involved in the CSR related to employee relations and about 33% of the companies concentrated on the environmental issues. One of the reasons for the companies to get involved in the employee relations related CSR could be the nature of the industry, as apparel industry is a labor intensive industry. The Malaysian apparel companies are aware of the importance of CSR communication, however there is scope for improvement as they have to implement CSR at the strategic level

as only one company had mentioned about the separate CSR board and the rest of the company does not mention about a dedicated team for CSR implementation. However it must be noted that the findings from this study is based only on the information published by the company on the website, so some of the companies may have the CSR programs already implemented but not published in the company website.

## 6. CONCLUSION

In conclusion, based on the findings we can conclude that the CSR activities in Malaysian apparel industry varies from a range of programs related to employee relations to environmental issues, however there is a need to implement CSR at a strategic level and have a dedicated team separately for the implementation. Malaysian apparel industry as a whole fair well in terms of CSR communication, some of the companies are yet to realize the importance of communicating their CSR programs on their website.

## 7. LIMITATION AND SCOPE OF FUTURE RESEARCH

The study used the data from the corporate websites only and did not include other documents like press release, sustainability reports; however future research may include other documents as well. The study was limited to the WRAP certified apparel manufacturers in Malaysia, future studies can also include other sectors. The study used only basic descriptive analysis future studies can do a detailed content analysis using the advanced software.

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