CORPORATE SOCIAL RESPONSIBILITY: THE PRESENCE OF UNITEN AND ITS IMPACTS ON BUSINESS PERFORMANCE OF BANDAR MUADZAM SHAH

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ABSTRACT

Today, the level of awareness about corporate social responsibility (CSR) is at the rising trend. Recognizing the importance of CSR, many corporations have engaged themselves in these activities in order to gain competitive advantage. Previous researches focused more on the CSR contributions from corporation’s point of view; however, limited research was conducted from consumer’s perspective. Thus, this research aimed to investigate the impacts of CSR to business communities in Bandar Muadzam Shah (BMS) with the presence of Universiti Tenaga Nasional (UNITEN). UNITEN is one of the CSR proxies for Tenaga Nasional Berhad (TNB). Data for this study were collected through questionnaires with sample of 115 business entities in BMS. The presence of UNITEN was illustrated based on three independent variables, namely the economy development, social development, and environment. Meanwhile, the business performance (dependent variable) was measured based on profit, job opportunities, and growth of business. After performing Spearman correlation tests, the results indicated that all independent variables have significant impacts, although varies, on business performance except for the environment and profit. Thus, the results revealed that the existence of UNITEN in BMS brought about significant development, improvement and opportunities to the business and local communities in terms of economy, social, and environment. Relevant authorities such as the local council (Majlis Daerah Rompin), TNB and UNITEN management and other stakeholders may use the findings to develop plan and policies for the betterment of the BMS communities in the future.

Keywords: Corporate Social Responsibility (CSR), Universiti Tenaga Nasional (UNITEN), Tenaga Nasional Berhad (TNB), Bandar Muadzam Shah

1.0 INTRODUCTION

Today, the level of awareness about corporate social responsibility (CSR) is at the rising trend. Consumers nowadays have set a higher level of expectation towards the companies. Therefore, CSR no longer can be neglected if the businesses would like to stay ahead from the rest. By recognizing the importance role of CSR, many of the businesses have started to engage themselves in these activities in order to gain competitive advantage. A great deal of research has been conducted in this area; however, limited research has been carried out from consumer’s perspective. Moreover, the level of consumers’ awareness of CSR is still maintained moderately in Malaysia (Dusuki and Yusof, 2008). Hence, this study aimed to examine the effects of CSR, with the presence of UNITEN, in affecting business performance of Bandar Muadzam Shah, Pahang.

2.0 BACKGROUND OF STUDY

CSR represents one of the most widely debated contemporary business issues. In broad terms, CSR is the responsibility an organisation takes for the impact of its corporate activities on the various stakeholders with whom it interfaces and whom it affects (Murray and Dainty, 2009). The area defined by advocates of CSR increasingly covers a wide range of issues such as plant closures, employee relations, human rights, corporate ethics, community relations and the environment (Moir, 2001).

Universiti Tenaga Nasional (UNITEN) is one of the first private universities in Malaysia and is wholly-owned by the public-listed company, Tenaga Nasional Berhad (TNB), one of the largest utility companies in South East Asia. One of the aims for the establishment of UNITEN is to provide quality education to prepare students for positions in industry, commerce and academia. With the rapid growth of the main campus, UNITEN has formed a branch campus in Bandar Muadzam Shah, at the state of
Pahang. Following the concept of “Town University” and “University Town”, Sultan Haji Ahmad Shah Campus functions as a bridge to connect its students and the dwellers of Bandar Muadzam Shah. It also serves as a medium of community, economic and intellectual development for Bandar Muadzam Shah and the surrounding areas.

In view of the development of UNITEN and the CSR, this research would explore the role and the effect of UNITEN to Muadzam Shah Communities, particularly the business communities. It is interesting to find out whether the presence of UNITEN would have significant effects to its surroundings.

3.0 LITERATURE REVIEW

3.1 Concepts of Corporate Social Responsibility (CSR)

CSR is not a new area of study; but recently is gaining attention and interest among leading world companies, universities, researchers, media, the governments and non-governmental organizations (NGOs). A long debate on the meaning of CSR took place in the last decades. A literature review developed by Dahlsrud (2008) shows that 37 different original definitions of CSR were developed from 1980s to 2003. According to Dahlsrud (2008), defining CSR is not an easy task since there is no single absolute meaning to use because one definition does not fit all.

The Commission of the European Communities (2001) defines CSR as a concept by which companies integrate social and environmental concerns in their operations and in their interaction with stakeholder on voluntary basis. Second, the World Business Council for Sustainable Development (WBCSD, 1999) interprets CSR as the business commitment for contributing to sustainable economic development, employees, their families, the local community and society to improve their quality of life. Lastly, the WBCSD (2000) also explain that CSR is a continuous commitment by business to behave ethically and contribute to economy development by improving the quality of life of workforce and their families, as well as the local community.

Pinney (2001) highlights the social dimension of CSR as management practices that minimize the company’s negative impact of its operation on society and maximize its positive impacts. Voluntariness dimension is stressed by Kilcullen and Kooistra (1999) as the degree of moral obligation that may be ascribed to corporations beyond simple obedience to the laws of the state. Stakeholder dimension is explained by Wooward-Clyde (1999) as contract between society and business in which a community permits a company to operate and in return the matter meets certain obligation and behaves in an acceptable manner.

This is supported by the previous study, according to Sarkis and Daou (2013), there is mainly two thoughts that reflect either the classical view or the socio-economic view. The classical perspective is directly related to social obligation. It states that the corporation has to meet several economic and legal responsibilities, thus its only responsibility is to maximize the profits of stockholders (Sarkis and Daou, 2013). In other means, when the organization performs extra measure of doing social good, it would cost money that will be passing them to customer through high prices or passing them to shareholders through minimizing profits.

On the other hand, the socio-economic view states that organizations have to go beyond making profits in actions to preserves the environment and improve the community’s well being. This perspective stems from the concept that organizations are an integral part of the society and they are not solely responsible toward the shareholders but also responsible towards the society and environment as a whole Sarkis and Daou (2013).

The present study acknowledged that UNITEN, being one of the subsidiaries of TNB, is the company’s CSR in educational sectors. This study would examine whether the presence of UNITEN in Bandar Muadzam Shah would have significant impacts to the business performance of the communities or not. This also a part of UNITEN involvement in their CSR towards the society of Bandar Muadzam Shah in term of the socio-economic of that place.

In this case, the study would measure whether the presence of UNITEN will give a positive or negative impact to the society, environment and also the improvement of the community’s well-being in term of their business performance in Bandar Muadzam Shah. After a general overview of various models regarding corporate social responsibility theories, the study conquers with Dahlsrud’s (2008) findings. He found that the following definitions are the three most commonly used, and that all of them cover the dimensions of stakeholder (business entity, others communities, customers and so on), social and economic development.

3.2 Theoretical Framework

This study concerns about presence of UNITEN and its impacts on business performance of Bandar Muadzam Shah. Therefore, independent variable (IV) for the study is Economy Development (ED), Social Development (SD) and Environment (E). These IVs would influence the dependent variable (DV), namely Business Performance of Bandar Muadzam Shah. The DV for this study was measured based on profit, opportunities and growth of businesses.

The three dependent variables are also interrelated as shown in Figure.1 below. Each of the variables listed and the hypotheses developed will be discussed in the following session.
3.2.1 Economy Development

More recently, many researchers have carried out studies concerning “whether CSR should exist” to “why it does exist?” and “how it affects the economy?” According to Kitzmueller and Shimshack (2012), the World Bank states that CSR is to contribute to sustainable economic development by working with all relevant stakeholders to improve their lives in ways that are good for business, the sustainable development agenda, and society at large. Strictly, from economic point of view, the responsibility of a company or business entity is to maximize its profit. This maximization of the profit will contribute in turn to the general social wellbeing (Dobrea and Alina Dinu, 2012).

Based on Larry Gigerich, Managing Director of Ginovus; Universities and colleges have a critical role to play in regional, state-wide and national economic development efforts (www.insideindianabusiness.com). Clearly, higher education and economic development are inextricably linked to another. For region, state and country to be successful in economic development, universities and colleges must be key partners throughout the process.

In addition, the universities and colleges have evolved their roles into a broader mission that better support companies and economic development efforts. They also recognized the need to help nature entrepreneurs through technical and financial assistance programs. These efforts have resulted in the survival of many young or new businesses that otherwise might fail due to a lack of capital, access to research and management expertise. Universities and colleges recognize the need to help these companies survive for a variety of reasons. If these entities (universities and colleges) can help entrepreneurs survive and succeed, they are making a significant contribution to the geographic area they are serving, can use their success to market the university or financial return for the university (Larry Gigerich, 2014).

In this case, the CSR of UNITEN give a positive impact to the economic development of Bandar Muadzam Shah in terms of the variety types of business opportunities that can be created to maximize the needs of the consumers (local community, UNITEN’s staffs and also the students). This also can create more job opportunities to local community in terms of developing their economy, well-being and also their life condition in Muadzam Shah.

3.2.2 Social Development

Social development can be identified as one that is concerned with processes of change that lead to improvements in human well-being, social relations and social institutions, and that are equitable, sustainable, and compatible with principles of democratic governance and social justice (UNRISD, 2011). (http://www.ipieca.org/topic/social-responsibility/social-and-economic-development) The term ‘social development’ describes company activities that provide the local community with opportunities to develop. Some activities may be part of the company’s core business while others may be additional activities that enhance the company’s reputation and its relationship with the community.

Many organizations are becoming increasingly active in addressing social concern. For examples, many organizations involved in community by providing additional vocational training places sponsoring local sports, culture events, through partnerships with communities or donations to charitable activities. Many Social responsibility means being accountable for social affects the company has on people even indirectly (Mohammed, Md. Riad and Kazi, 2008).

3.2.3 Environment

Environmental aspects put in place in the 1970s with the first real understanding of the environmental impacts of business. Corporate activity may have many types of effects on the environment. Usually environmental impact refers to the
negative effects occurring in the surrounding natural environmental due to business operations such impacts may include overuse of natural, non-renewable resources of energy, pollution waste, degeneration of biodiversity, climate change, deforestation and others (Mohammed et al. 2008).

In today’s competitive market, CSR offer an opportunity for companies to explore other areas of improving profitability. Customers have become very sophisticated and very much aware of their environment against the perception that corporate organisations make a lot of profits, it becomes imperative for these companies to put back into the society through corporate social responsibility programmes (Ocros, 2011).

By recognizing the importance of CSR, many of the Malaysian companies have started to apply the CSR within the company’s policies, strategies and activities or programs toward the social and environment (Embassy, 2011). Today, companies in Malaysia are increasingly aware of CSR activities as consumers have become more aware of how business activities affect society and the environment.

### 3.2.4 Business Performance of Bandar Muadzam Shah

Business performance is usually measured as financial and non-financial performance measures. Financial performance comprises of financial efficiency measures such as return on investment and return on equity and profit measures such as return on sales and net profit margin (Li, Huang and Tsai, 2010). Non financial measures include sale growth, employee’s growth and market share. Some of the non financial measures are end performance measures such as market share and share growth while some of them may serve as leading indicators of end-financial performance (Sidik, 2012).

Bandar Muadzam Shah is surrounding by small and medium enterprises (SMEs). Hence, this study measures business performance in terms of their profit, job opportunities and growth of businesses. The selection of the measures was supported by (Heilbrunn, Rozenes and Vitter, 2011). According to these researchers, most SMEs use a limited number of financial performance indicators because they are lacking in human resources needed to establish performance measurement and the appropriate culture to collect data for decision making purposes. Furthermore, the SMEs tend to use subjective measures more frequently than objective measures (Dess and Robinson, 1984). SMEs often measures their growth by turnover growth and employment growth (Leitner and Gudenberg, 2010).

Based on the proceeding discussions, therefore, this study developed three sets of hypotheses to investigate the independent variable that will give impact on dependent variables. For this reason, the following hypotheses were developed:

- **H1:** There is a significant relationship between economic development and business performance of Bandar Muadzam Shah based on profit, job opportunities, and business growth.
- **H2:** There is a significant relationship between social development and business performance of Bandar Muadzam Shah based on profit, job opportunities, and business growth.
- **H3:** There is a significant relationship between environment and business performance of Bandar Muadzam Shah based on profit, job opportunities, and business growth.

### 4.0 RESEARCH METHODS

In this study, data were collected by using questionnaire-based survey. The target population of this study was the owners of businesses or their employees in Bandar Muadzam Shah. The sampling technique that was used in this study is convenient sampling. As pointed out by Sekaran et al. (2013), this method most often used during the exploratory phase of a research project and is perhaps the best way of getting some basic information quickly and efficiently.

Bandar Muadzam Shah is chosen because the town started to develop although in slow pace. The town eventually becomes a fully established educational centre with quality schools and higher academic institution serving the surrounding rural regions, and having its own fully integrated public administration services. Apart from that, UNITEN is chosen because it represents the higher academic institution that gives direct effect to the development of this town. Furthermore, UNITEN is the biggest and highest tertiary academic institutions in Muadzam Shah.

A letter of application was sent to Majlis Daerah Rompin (MDR) in order to get the total number of businesses that their businesses existing in Bandar Muadzam Shah. Unfortunately, the MDR could not provide an updated list of businesses operating in the Muadzam Shah area and hence the researchers were unable to get specific total number of businesses in Bandar Muadzam Shah. Therefore, the samples were picked randomly. The total samples for this study is 115, consists of 44 owners and 71 employees. According to Roscoe (1975), sample sizes larger than 30 and less than 500 are appropriate for most research. Hence, the study fulfills the rule of thumb set by Roscoe (1975).

Research methodology undertaken by this study took into consideration several specific requirements of the study – reliability, validity and normality tests. Choice of sample and unit of analysis were guided by the earlier research as well as the relevant theories. Thus, the design of the questionnaire items and their measurements relied much on past literatures. The study utilized statistical techniques such as descriptive analysis, independent sample t-test, one-way ANOVA and correlation analysis in order to analyse the data.
5.0 FINDINGS AND DISCUSSION

5.1 Correlation and Hypothesis Findings

This study employed the Spearman Rho statistical test (non-parametric statistical tests) to answer the hypotheses and find out the correlation among the variables since the data were not normally distributed. The Spearman Rho statistical test were used in order to determine the relationship between the presence of UNITEN and its impacts on business performance of Bandar Muadzam Shah based on economy development, social development and environment. This study is using Pallant’s rules of thumb in explaining the correlation results (Pallant, 2001):

i. 0.7 and above – very strong relationship
ii. 0.50 to 0.69 – strong relationship
iii. 0.30 to 0.49 – moderate relationship
iv. 0.10 to 0.29 – low relationship
v. 0.01 to 0.09 – very low relationship

Table 1: Correlation of economic development towards business performance of Bandar Muadzam Shah based on profit, job opportunities and growth of the businesses

<table>
<thead>
<tr>
<th>Spearman's rho</th>
<th>TotalED</th>
<th>Correlation Coefficient</th>
<th>Sig. (2-tailed)</th>
<th>N</th>
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<td>TotalED</td>
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<td>The presence of UNITEN in Muadzam Shah increases our profit.</td>
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<td>The presence of UNITEN increases job opportunities to local communities.</td>
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<td>The presence of UNITEN has contributed to the growth of our businesses.</td>
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**. Correlation is significant at the 0.01 level (2-tailed).

Table 1 above showed that there is a significant relationship (p-value < 0.05) between economic development and business performance of Bandar Muadzam Shah based on profit, job opportunities, and business growth. The correlation coefficient values for the three performance indicators were 0.436, 0.372 and 0.466 respectively which mean that there were moderate, positive correlations between the variables. Thus, the results indicated that the presence of UNITEN in Muadzam Shah increases the economic development and business performance of the Muadzam Shah communities.

Table 2: Correlation of social development towards business performance of Bandar Muadzam Shah based on profit, job opportunities and growth of the businesses

<table>
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<tr>
<th>Spearman's rho</th>
<th>TotalSD</th>
<th>Correlation Coefficient</th>
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<td>The presence of UNITEN has contributed to the growth of our businesses.</td>
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**. Correlation is significant at the 0.01 level (2-tailed).

H1: There is a significant relationship between economic development and business performance based on profit, job opportunities, and business growth.

H2: There is a significant relationship between social development and business performance of Bandar Muadzam Shah based on profit, job opportunities, and business growth.
Table 2 above showed that there is a significant relationship (p-value < 0.05) between social development and business performance of Bandar Muadzam Shah based on profit, job opportunities, and business growth. The correlation coefficient values for the three performance indicators were 0.432, 0.425 and 0.503 respectively which mean that there were moderate and strong (business growth), positive correlations between the variables. Thus, the results indicated that the presence of UNITEN in Muadzam Shah increases the social development and business performance of the Muadzam Shah communities.

Table 3: Correlation of environment towards business performance of Bandar Muadzam Shah based on profit, job opportunities and growth of the businesses

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<th>Spearman's rho</th>
<th>TotalEnv</th>
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**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

**H2:** There is a significant relationship between environment and business performance of Bandar Muadzam Shah based on profit, job opportunities, and business growth.

Table 3 above showed that there is a significant relationship (p-value < 0.05) between environment and business performance of Bandar Muadzam Shah based on job opportunities and business growth. The correlation coefficient values for the three performance indicators were 0.244 and 0.192 respectively which mean that there were low, positive correlations between the variables. However, the results indicated that there was no significant relationship between environment and business performance in terms of profits. Therefore, the overall results indicated that the presence of UNITEN in Muadzam Shah increases the business performance of the Muadzam Shah communities with low contributions to environment.

6.0 CONCLUSION AND RECOMMENDATION

The results from the analyses showed that the presence of UNITEN give a positive impact on economic development and also social development of Bandar Muadzam Shah. Based on the results, it showed that UNITEN’s presence helps to improve the community’s well-being in term of their business performance. It provides opportunities for business entities that consist of their communities itself to develop their business in Bandar Muadzam Shah. In addition, it opens up better employment opportunities to the Muadzam’s communities.

In terms of economic development, it give a positive effect to the business entities by getting a higher profits, improved their efficiency, increasing the demand on their production or services and the opportunities to them to provides a variety of choices of product that can maximize the needs of the customers. It also creates a healthy competition among business community in Bandar Muadzam Shah.

In social development, the presence of UNITEN can gives positive impacts to the local communities by enhances the quality of living for the communities and improves the quality of infrastructures in Bandar Muadzam Shah. It also shows that UNITEN’s students and staffs play important roles in promoting the well-being of communities and contribute to improvement of the social and environmental of Bandar Muadzam Shah. UNITEN also can attract many investors to develop their business in Bandar Muadzam Shah.

However, in terms of environment, the local communities did not think that the presence of UNITEN can creates a green, clean, safe environment and also reduces environmental pollution to Bandar Muadzam Shah. It is because some of the community holds that the presence of UNITEN resulted in deforestation activities and increasing the temperature of the environment of Bandar Muadzam Shah. For example, the development of a new township (Bandar Satelit) resulted in the deforestation activities. However, it can be argued that with this development, it can create good opportunities for them (local communities) to improve their life condition and also their business performance. Thus, not all of them give a negative impact to the environment of Bandar Muadzam Shah but it also creates a positive improvement to them in many aspects of life.
Finally, as far as the business performance is concerned, it showed that the presence of UNITEN increases their profits from the business operation as well as increases job opportunities to local communities. Besides, the presence of UNITEN contributes to the growth of the business entities in Bandar Muadzam Shah.

The findings from the study could be used by relevant authorities or parties, such as Majlis Daerah Rompin (MDR), TNB management, to properly plan and take appropriate actions to assist UNITEN to improve their CSR towards the local communities in Bandar Muadzam Shah. Based on the findings also, it is important for UNITEN’s management to enhance its services, quality, and performance for the development of UNITEN’s reputation in Muadzam Shah since it gives significant impacts to the business communities here. In addition, it is hoped the results from this study shall provide an insight for the business community in Bandar Muadzam Shah to realise the importance or impacts of the presence of UNITEN to their business performance.

7.0 LIMITATIONS AND FUTURE RESEARCH

Despite its contributions, this study also has its limitations. One of the obvious limitations is that the study was conducted on one institution only which is UNITEN Muadzam Shah Campus. The results from the study may not be generalised or applicable to other places or higher institutions in Malaysia. In addition, the study did not make a comparison between the presence of UNITEN and other institution in Bandar Muadzam Shah that may also affects the business performance of the local business communities.

References


