Call for Roadmap for Successful Adoption of CSR in Malaysian Construction

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Abstract: Despite its vital contribution to the social and economic development, the nature of the construction sector which compounded with wide range of unethical issues has called for the urgent needs to promote an ethical business philosophy in line with the concept of corporate social responsibility (CSR). However, the concept of CSR and how it was implemented within the construction sector has yet to be clearly understood. In this paper, focus is given to understand of crucial factors that lead to successful adoption of CSR in practice. Theoretically, this paper could provide a better understanding on how to successfully integrating CSR into business strategies and in turn, maximum benefits from such effort could be expected.

Index Terms: Corporate Social Responsibility, Construction Sector, Critical Success Factor, Malaysian Construction sector.

I. INTRODUCTION

The rising of public pressures on the transparency and accountability has called for businesses to redefine their role to include commitments toward society and environment along its financial goals. Thus, the traditional conception of a business, which solely focusing on profit maximization has no longer considered the only focus of the firms [1]. As a result, today’s businesses are evaluated not only by financial achievements but also by accountability for its social and environmental responsibilities [2,3,4]. Hence, corporate social responsibility (CSR) has grown in importance and significance in current business environments [5]. In general terms, CSR is about ethical behaviours of a business, and can be understood as the integration of business and society into business strategies and practices [5,6,7]. However, literature review revealed that there was no single universally accepted definition of CSR to date [8]. According to Lambooy [9], the emergence of CSR primarily dependent on the legal basis and driven by social and market concerns about sustainable development which was significantly difference between countries. Thus, it was not surprising when CSR is understood and implemented differs greatly between company, and country or even the industry. Amran and Nejati [10], for example, remarked that the Malaysian firms still confusing and have narrow viewed about the actual meaning of CSR. In defining CSR, the current paper adopted the definition provided by the Companies Commission of Malaysia [11] as “the commitment by corporations and businesses towards achieving sustainability in the social, economic and environmental conditions in furtherance to the pursuit of profitability”. This definition was used throughout the course to define CSR concept in Malaysia. Although CSR is a voluntary in nature, it has been singled out by many as a strategic tool for a long-term sustainable competitive advantage in which firms will able to enhance their market position and consequently, lead to higher levels of financial performance [12,13,14]. As an organizational phenomenon, CSR has become increasingly prevalent and visible in many economic sectors across the world, and the construction sector is not exempted. The construction sector is often regarded as one of the topmost industries contributes to the social and economic development of every nation [15,16]. In Malaysia, it was reported that the sector contributes 4.6 percent to national GDP in 2017, an increasing of 6.7 percent from 2016 [17]. Indeed, the recently released report remarked that the Malaysian construction sector contributes 4.7 percent to the national GDP in the third quarter of 2018 [17]. Despite its importance, the sector is publicly regarded as an irresponsible sector due to its resource exploitation, environmental pollution, corruption, human rights abuse, and poor community relations [3,18,19]. In this regard, it is evidence that the construction sector has an ethical obligation that need to fulfil aligns with the concept of CSR. However, the adoption rate of CSR agenda within the construction sector is much lower compared to other sectors [3,18] although many types of initiatives given [20,21]. It has led to the argument that CSR phenomenon within the construction sector is relatively immature and how it was implemented has yet to be clearly understood [22]. From this starting point, this paper aims to provide understanding on the crucial factors that lead to the successfully adoption of CSR within the construction sector, specifically from the Malaysian perspective.

II. LITERATURE REVIEW

It should be noted here that the small and medium-sized enterprises (SMEs) are dominating the construction sector worldwide [23]. Since majority of businesses operating within the construction sector are SMEs, their characteristics are significantly affected current practices within the sector [18,24]. In Malaysia, it was reported that of the total 40,558 establishments in the construction sector in 2015, 96.5% or 39,158 are categorized as SMEs [25].

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In this regard, the successful of CSR agenda within the Malaysian construction sector as a whole is depend to the successful adoption of CSR in the construction SMEs. Thus, the scope of this paper was narrowed down into the specific behaviors entailed within SMEs in the context of the Malaysian construction sector. It should also be noted that in this paper the terms of the construction SMEs and the construction firms were used interchangeable, and referred to similar meaning.

Extant of literature revealed that the important need for construction firms engaging in CSR agenda can be viewed from two perspectives. First, the nature of the sector itself which compounded with wide range of unethical issues that currently exist and common in the sector include excessive natural resource-exploitative [26, 27], rampant with corruption [28, 29], human rights abuse [30, 31], and lacks of occupational safety and health [32, 33]. As such, the construction sector is seen a sector that has an ethical obligation need to be addressed in line with the concept of CSR. Hence, the CSR framework is seen as an appropriate platform for advanced mitigation strategies to minimize those negative effects and in turn, could enhancing the reputations of the sector. Engaging in socially responsible activities not only improves stakeholder satisfaction, but also has a positive effect on corporate reputation [34]. As a result, credibility of the sector could be enhanced by eliminating the negative images and offers more benefits for future development [35].

The second perspective for the need of construction firms to engage in CSR stems from the palpable potential benefits derived from such effort. It is well accepted that a strategic approach to CSR is regarding to an ethical behaviour of a business that can be used as a strategic competitive tool and in turn, leading to enhancement of financial performances by improving market positioning and maintaining a long-term sustainable competitive advantage [36, 37, 38, 39]. The link between CSR and competitive advantage can be achieved if social needs, environmental limits and corporate interests are well coordinated together [40]. Porter and Kramer [41] described the linkage as “creating shared value” which hypothesized business success and social welfare are interdependent.

While these views are evidence in many empirical studies, most the studies have been conducted in the context of large corporations or multinational enterprises (MNEs) [42, 43, 44, 45, 46]. It has led to the understanding that CSR agenda is mostly interpreted as the contribution of large firms that have effectively adopts as corporate strategies [47, 48]. As a result, previous studies have built to fit the nature of large firms that have more resources and capabilities than that of small firms [48, 49, 50]. However, scholars such as Atan et al. [51], and Mousiosil et al. [52] have argued that lesson learned from the CSR agenda in large firms where the practice has effectively used, may not reflect very well in SMEs due to the realities of specific characteristics of SMEs. Thus, the general assumptions that CSR is applicable to all types of firms are irrelevant due to the significant differences between large firms and SMEs [53, 54]. For instance, organizational characteristics, behavioral guiding principles, financial, and human resources are some characteristics of SMEs that significantly differ from the larger firms [55]. Therefore, adopting CSR in SMEs need to accommodate with its unique characteristics. Most importantly, the United Nations Industrial Development Organization (UNIDO) warned that promoting the uptake of CSR amongst SMEs must taking consideration to the approaches that fit the respective needs and capacities of the firms without affecting their economic viability [56].

However, the concept of CSR and how it was implemented within the Malaysian construction sector has yet to be clearly understood. This view could be derived from the findings of Abolore [20] and [21] Abdullah et al. [21] where the adoption rate of CSR in the Malaysian construction firms was relatively low although many types of initiatives given. Also, the findings of Kang et al. [57] who revealed that the Malaysian construction firms lag behind global companies in almost all aspects of CSR. In this regard, it is viewed that at least two possible issues contribute to the lower adoption rate.

The first is the fact that SMEs are often do not really understand what CSR is about and the benefits of adopting these new practices [36, 58, 59]. Larsen et al. [23] observed that the biggest challenge for the construction sector is to justify the relevance of CSR concept to the SMEs which dominated the sector. For example, a study of Amran et al. [60] revealed that an understanding of the concept and importance of CSR was still lacking among the Malaysian SMEs contrast to other developed nations where the idea of CSR was emerged. In fact, lack of understanding on CSR concepts has been highlighted as the main reason for the absence of a formal CSR policy in many construction firms [22]. As a result, although the firms have incorporated some aspects of CSR into their business activities but they do not refer such practices as CSR [3, 18].

The second possible issue is the lack of proper guidelines for CSR adoption in the construction firms. For instance, lacking of a clear legislative and institutional framework that can guided the firms on how to make sense of CSR practices have been reported as the main challenges faced by construction firms in Australia [18] and Kenya [61]. In fact, the study of Abdullah et al. [21] have shown that lacking of proper CSR implementation guidelines was the main barrier contributed to the low adoptions rate amongst the Malaysian construction firms.

It is worth noting that adopting CSR in practice are costly and incur an extra cost to the firms since its charitable and discretionary behaviors [62, 63]. Since being socially responsible involves costs and the costs might be in short-term or continuous outflows, it is important to ensure such efforts could further generate benefits to the firms. A firm cannot continue with a policy that could drain their pocket. For being socially responsible, a firm must have bottom-line benefits in order to sustain in business [64]. As such, it is essential for construction firms to properly design their CSR agenda and in turn, the intended benefits could be expected. Most importantly, evidence has suggested that benefits of CSR tend to outweigh its costs if correctly implemented [37, 65, 66].

To this end, the question to deal with is how to ensure a successful adoption of CSR in the Malaysian construction firms. As argued here, the first step is to understand the crucial factors that lead to it successful adoption. With such understanding, CSR will able to be successfully adopted in line with the firm strategic objectives and its internal characteristics. A successful CSR practices can only be reached if the holistic views of CSR are well understood.
In this sense, integrating CSR into the firm’s strategic objectives will be more focus, smooth, and effective if several crucial factors related to its adoption efforts are well understood which consistent to an organizational strategic planning.

On the other hand, the complexity of CSR practices means that success in its adoption requires referring to a solid methodical foundation and proven scientific theories. In this regard, the theory of CSFs is seemed to have a good basis for stating what criteria should be followed for such efforts. The CSFs is a well-known managerial methodology aim at developing planning instruments that are essential for an organization in finding the right strategy and in turn, accomplish its mission [67]. In the construction engineering management (CEM) research, the used of CSFs approach has long been recognised and was applied in many difference contexts, among others, knowledge management [68], building information modelling [69], construction innovation [70], performance of the construction sector [71], performance of the construction firms [72], and construction projects [73].

Therefore, the appropriate first step to ensure the successful adoption of CSR is to identify few CSFs that influence such efforts. Thus, the remit of the present study was an attempted to understand the success measures on how to successfully implement CSR in the Malaysian construction firms with a specific focusing on the CSFs underlying such efforts. Consequently, by considering CSFs, it will able to manage the stakeholders, provide benefits to CSR practices and encourage the top management to make decisions [74].

Whilst a substantial amount of literature exists on CSR in the construction sector, to the best of the authors’ knowledge, very few, if any, studies conducted with regarded to CSFs. Supporting this viewed, an analysis of a systematic selection of 68 papers published in different mainstream journals between 2000 and 2017, Xia et al. [75] revealed four research themes underlie the current CSR research in construction sector, namely CSR perception, CSR dimensions, CSR implementation status, and CSR performance. The study concluded that while CSR research in the construction sector increasing in recent, their coverage is isolated, less comprehensive, and fail to encompass the multifaceted nature of the sector. Thus, it can be understood that little attention has been given on the issue of CSFs in CSR research in the construction sector. Indeed, the issue of CSFs has also gaining limited interests in CSR research as a whole [74,76].

Review of literature in other sectors outside the construction sector have shown that only a relatively few empirical studies have attempted to explore the CSFs for CSR to date. Although these studies have reported some consistent results, but the importance of these already established CSFs cannot be generalized since they appear to be relative and varies within the business environment, the industry and the country, i.e. the study of Fuzi et al. [74] in the Malaysian automotive sector, Sangle [77] in the Indian public sector, and Kahreh et al. [78] in the Iranian banking sector, and.

Experts have remarked that one success factor may be of great importance in one industry or country but it may not necessarily be of equal importance in another industry or country [78,79]. In fact, the national socio-culture environment and level of national economic development are the important variables influencing CSR understanding and practices [80]. Thus, the author argued that the adoption process of CSR remains alone from a systematic and holistic view. Therefore, in order to uncover the factors critical to the successful adoption of CSR in the construction firms, it is necessary to investigate the factors within a specific sector and geographical context.

It was against these inconclusive findings and scanty research, there exists a larger gap in CSR literature, hence, offering justification for this exploratory contribution. It is worth mentioning that the issue of CSR in the construction sector is extremely important because of the impact brought by the construction activities to the societal and environmental. More importantly, practice has shown that the CSR can be a source of competitive advantage if correctly implemented [37,65,66].

It is expected that the outcomes of this study will provide a better understanding on how to successfully integrating CSR into business strategies of the Malaysian construction firms. It is anticipated that a better understanding of these factors can pinpoint better strategies for CSR adoption in the Malaysian construction sector. In addition, by considering the CSFs, the Malaysian construction firms are guided and directed on how to obtain optimal performance from CSR and minimize the risk of the failure. Also, it will able to encourage the firms to make decisions with the usage of optimum resources and efforts. Although this study particularly to suits the need of the Malaysian construction firms but probably the outcomes could be useful for other countries especially to the developing countries which have similarities with the Malaysia context.

### III. CONCLUSION

Given the overview of the research problem, there seems a scrutiny need to understand the crucial factors for successful adoption of CSR agenda within the Malaysian construction sector. Hence, the following question needs to be addressed. How to ensure a successful adoption of CSR agenda in the Malaysian construction sector?

With the globalization of economy, CSR is no longer an issue being discussed only in western developed nations where the concept was emerged. Although the discussion on CSR concept has significantly increased in developing nations, and has become a popular research stream across many scientific disciplines [81,82], there are still many aspects of the field remaining underdeveloped and questions remain unanswered. In business practice, the drive to adopt CSR was predicted based on the idea that by integrating and interacting social, ethical and environmental concerns into business operation could lead to the achievement of business sustainability. Previous researches have provided substantial empirical evidences on the link between CSR and business sustainable, and proven as an essential element for long-term sustainability. But then, how to embed CSR agenda in practice? Specifically, which elements are the most critical to such efforts and in turn, values for its adoption? Although CSR agenda is an attractive idea but what factors lead to the successful adoption remains an area of conjecture. These are the issues the current paper seeks to address.
On the other hand, it is a well-known fact that the construction sector has been blamed for unethical issues that currently exist and common in the sector. Thus, it has called for the construction firms to be more accountable and responsible in their business practices align with the principle of CSR. Despite SMEs dominating the Malaysian construction sector and being such a significant contributor to the Malaysian economy development, their CSR practice remained obscure. This existing knowledge gap, coupled with the uniqueness characteristics of SMEs compared to larger firms, has delimited the applicability of traditional models and the evaluation of CSR adoption of SMEs. The notion of “one size fits all” cannot justify the idea to translate the CSR practices in large corporation into concrete organizational practices in SMEs [55]. Whilst SMEs numerically dominance coupled with the apparent impact brought by the construction sector, their approaches to socially responsible activities remain undefined.

Since SMEs engagement in CSR has received little attention in the past, there is a lack of cohesive knowledge that could guide construction SMEs in adopting CSR agenda. Hence, investigating how construction SMEs can be better engaged in the CSR adoption process is of imperative. Therefore, there is need to uncover the factors critical to the successful adoption of CSR in the Malaysian construction firms through the lens of CSFs theory. This study contributes to the field by presenting one of the first studies in its kind focusing on CSFs for CSR adoption efforts within the Malaysian construction sector. Nevertheless, construction firms in other countries in the context of developing countries can also consider the outcomes from the current study, especially on how to initiate CSR in their firms and in turn, maximum benefits from such effort could be expected.

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