The Impact of CSR Practices of MNCS on Dairy Industry in Malaysia


Abstract: This paper aims to conceptualize the relationship between Corporate Social Responsibility Practices of Multinational Companies and growth of Malaysian dairy Industry. Malaysia is a net food importer, and it has been experiencing an upward trend in dairy consumption. But Malaysia imports 95% of its milk requirements and spend a lot of revenue in importing milk and related products as there is not a considerable number of local firms or companies producing dairy products. Malaysian dairy industry depends heavily on Multinational Companies brands e.g.; Nestle, Dutch Lady, F & N. This study focuses on how dairy Multinational Companies are affecting dairy stakeholders of Malaysia; the producers, and the overall local industry. It also concentrates on the procedures and policies which are designed by these Multinational Companies for serving in host countries, specifically regarding Corporate Social Responsibility. The study deals answer that what factors are restraining Malaysian dairy industry to grow and what big Multinational Companies are earning and what are they giving back to Malaysian dairy industry. The proposed methodology for this research will be content analysis, using secondary data from Corporate Social Responsibility reports and financial statements of these Multinational Companies.

Keywords: Malaysian Dairy Industry, Corporate Social Responsibility, Financial Ratios, Content Analysis

I. INTRODUCTION

This paper aims to conceptualize the relationship between Corporate Social Responsibility Practices of Multinational Companies and growth of Malaysian dairy Industry. Malaysia is a net food importer, and it has been experiencing an upward trend in dairy consumption. But Malaysia imports 95% of its milk requirements and spend a lot of revenue in importing milk and related products as there is not a considerable number of local firms or companies producing dairy products. This paper attempts to conceptualize the relationship between the growth of dairy industry and CSR practices of the companies, serving in this industry.

Dairy products have a huge market and a profitable industry all over the world. Since dairy products are almost compulsory part of today’s diet, so many countries are self-dependent in this industry but many others are not.

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Malaysia comes under the latter category. Where it produces only 5% of its domestic demand where rest of the demand is dependent on imports. This study will fill the gap between the past research done and the future agenda that why there is a huge imbalance between domestic consumption and production and what are the factors hindering the growth of the local dairy industry.

The literature clearly indicates the gap between Malaysians’ production and consumption of dairy products. There are numerous factors which are hindering the development of local dairy industry, for example, weak government support to the farmers, climate condition, less area available for farm houses, little productive cattle. But apart from these issues, there are some other problems also like how MNCs are directly purchasing from farmers, at cheaper rates. This study will fill this gap, and will try to sort out the real reasons of this consumption and production gap.

MNCs are focal points in the debate on the merits and dangers of globalization. MNCs are sometimes characterized as vehicles of development, capital, and technology transfer and thus global economic integration and convergence [21]. The literature also shows the need, and practices of MNCs to do CSR activities in the host country and how sometimes they are exploiting the host country industries.

II. LITERATURE REVIEW

Dairy Industry

The introduction of technological advancements has made the dairy industry available on an advanced platform which is equipped with technology, substantial investment, and high-tech equipment. These technological and innovative improvements in the industry has enabled the dairy producers, around the world to fulfill the increasing demands of customers in various forms. For example, buttermilk, condensed milk, homogenized milk, cheese, flavored yogurt, gelato and ice cream, while maintaining and even increasing the quality standards at the same time.

Global Dairy Industry

In developed countries around the world, per capita consumption of milk and dairy product is higher than developing countries. But due to rise in the standard of living, this gap with developing countries is also getting narrowed down. Due to change in dietary habits, urbanization, rising income levels, and population growth, the demand for milk and milk products is continuously being increased in developing countries. This trend is evident in East and South East Asian region, especially in China, Vietnam, and Indonesia, which are considered as high populated countries. This increased demand is not only a healthy symbol for people but a healthy symbol for
the economy also at the same time, as it provides a good opportunity for all the stakeholders in the dairy chain, from farm producers to the end-product-supplier. And in such way, the people living in rural areas can enhance their livelihood and earnings by increasing the dairy production.

Not many countries are self-sufficient in milk production. For example, Argentina, Australia, New Zealand, USA, Uruguay and the European Union countries and Eastern Europe are the countries who have a surplus milk supply that is why they are the exporter of milk products, whereas, Algeria, China, Japan, Mexico, Philippines, and Russia are the countries which are milk-deficit countries. The overall milk exports increased from 4.4% to 7.1% over the period from 1990 to 2004, while the share delivered to formal milk processors increased from 14% to 24%.

Regarding volume, the most consumed dairy product is milk as every age group people are consuming it from infants to the elderly. Most likely, the demand for liquid milk is more in urban centers, and that of fermented milk is in rural areas. But nowadays processed dairy products are becoming increasingly in use in many countries.

Around the word, more than 6 billion people consume milk and dairy products; the majority of these consumers is being from developing countries. Compared to 1960’s, the consumption per capita of milk has been increased to double. However, consumption of milk is still slow compared to the consumption of livestock, which is tripled now and egg consumption which has grown five times.

In South Africa, the per capita milk consumption has been decreased, over the last two decades, whereas, the use of milk and dairy products is estimated to be increased by 125 percent by the year 2030. In India, about 50 percent of milk is used on-farm. Some facts about per capita milk consumption are:

<table>
<thead>
<tr>
<th>Table I- Per Capita Milk Consumption</th>
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<tbody>
<tr>
<td>High</td>
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<tr>
<td>Medium</td>
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<tr>
<td>Low</td>
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Table II- Percentage of Milk Providers

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<thead>
<tr>
<th>Type of Supply</th>
<th>Percentage</th>
<th>Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dietary Energy Supply</td>
<td>3%</td>
<td>Asia &amp; Europe</td>
</tr>
<tr>
<td>Dietary Protein Supply</td>
<td>6 – 7%</td>
<td>Africa &amp; Asia</td>
</tr>
<tr>
<td>Dietary Fat Supply</td>
<td>6 – 8%</td>
<td>Africa &amp; Asia</td>
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<tr>
<td></td>
<td>11 – 14%</td>
<td>Europe, Oceania &amp; America</td>
</tr>
</tbody>
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III. SOURCE: WWW.FAO.ORG

MALAYSIAN DAIRY INDUSTRY

Malaysia is a net food importer. Malaysia has been experiencing an upward trend in dairy consumption. Dairy has been an important part of Malaysian’s diet making up 25% of liquid food consumption. Malaysia imports about 70 percent of its food needs, including beef, lamb, dairy products, baking ingredients, pasta, and temperate fruits and vegetables.

There is not a considerable number of local firms or company producing dairy products. Malaysian dairy industry is highly dependent on MNCs brands e.g.; Nestle, Fonterra, Dutch Lady. The study focuses that how these MNCs are affecting dairy stakeholders of Malaysia; the producers, the raw material providing people.

In the year 2012, in Dewan Negara session, it was discussed that Malaysia imports 95% of its milk requirements and spend a lot of revenue in importing milk and related products. In the year 2007, the self-sufficiency rate for milk for Malaysia was only 5% that was; 51 million liters, whereas it was importing 1.034 billion liters. The percentage is pretty much same now a day also. The countries include Australia, Holland, and New Zealand. But the local industry is worth RM69.25 million. If Malaysians can produce 100% of domestic demand they can save not only RM1.4 billion but also earn RM1.4 billion, resulting providing more job opportunities to dairy persons, raising the standard of living and saving more foreign exchange reserves. The products which Malaysia imports, include dairy, cream, flour, fat and sweet filling.

Following are some statistics for the year 2007 to 2011 about total imports of milk and dairy products.

<table>
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<tr>
<th>Table III- Statistics of Milk Import in Malaysia</th>
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<tbody>
<tr>
<td>Year</td>
</tr>
<tr>
<td>2007</td>
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<tr>
<td>2008</td>
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<td>2009</td>
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<td>2010</td>
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<td>2011</td>
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The statistics about local milk productions during this period are as follows:

<table>
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<tr>
<th>Table IV- Milk Production in Malaysia</th>
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<tr>
<td>Year</td>
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<tr>
<td>2007</td>
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<td>2008</td>
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<td>2009</td>
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<td>2011</td>
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</table>

From the above statistics, a huge gap between imports and export is evident which needs to be narrowed down to save local producer and an enormous amount of foreign reserve also.
FACTORS INFLUENCING MALAYSIANS’ DAIRY INDUSTRY PATTERNS

Considerable changes are being happened in Malaysia’s food marketing system just like many other Asian countries. Economic growth, increased income levels, industrializations, urbanization, globalization and trade liberalization are the factors of these changes in the marketing system [6]. As a result of these changes, the needs of consumers are increasing and becoming more diverse making them more comfortable consumers who demand higher quality food products which are differentiated through branding, labeling information and a variety of quality attributes [16]. Notwithstanding that as buyers are getting to be more instructed, they have a tendency to be more cognizant of wellbeing and health issues identified with nourishment decisions and eating regimen [24]. These elements are the explanations behind changing the Asian consumes fewer calories far from starch-based staples (e.g. rice) and expanding interest for wheat-based, meat and dairy items and additionally products of the soil [23,31].

Much the same as other Asian nations, sustenance utilization slants in Malaysia appear to be growing in the same manner, most prominently Korea, Thailand and China [16,31]. Every capita utilization of domesticated animal items in Malaysia, including dairy, is significantly underneath Association for Financial Participation and Improvement (OECD) nations, for example, the United States, Australia, and Japan. Contrasted with Korea, Thailand, and China, every capita utilization of dairy items is nearly high. For instance, in 2005 (the most recent utilization information accessible), Malaysians devoured give or take 44 kilograms (kgs) of milk every single a year, contrasted with 25, 18 and 40 kgs in Korea, Thailand, and China, individually [31]. From 1990 to 2005, every capita utilization of entire crisp milk expanded 33% from 32.9 kgs to 43.5 kgs. It was anticipated that dairy utilization in Malaysia will keep on growing considerably throughout the following ten years because of proceeded with populace and salary development [8,10].

The Malaysian meat and dairy businesses are little in size contrasted with the residential natural product, poultry areas. There are numerous reasons for low residential efficiency, some of them may be the hot and damp atmosphere and restricted area accessibility and a structure comprising of basically smallholders with little crowds and so forth. Accordingly, it prompts less expensive imports and Malaysia’s low level of independence (give or take 5% in 2010) for hamburger and dairy [31]. In 2005 imports of dairy items were esteemed at roughly USD $444 million and represented the second.

CORPORATE SOCIAL RESPONSIBILITY

The World Business Council for Sustainable Development in its publication “Making Good Business Sense” by Lord Holme and Richard Watts, used the following definition for Corporate Social Responsibility:

“Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.”

To inspire the companies, to be responsible socially and to involve in the environment-friendly activities, the Malaysian government has been providing tax incentives to them since last twenty years. According to 2010 UN Report-4, there are four reasons for government to encourage the companies to do more CSR and socially responsible and sustainable business activities. The first reason is that it is the government’s responsibility to be an active player in the promotion of those sustainable activities which result in the economic, environmental and social development of the country. The concept of Corporate Social Responsibility is highly appreciated taking it as the corporate sector’s contribution to the development of the society. So to achieve this objective, governments can join CSR program. Second reason is that the recent global economic recession has affected a lot the government budgets and balance of payments across the world. As a result, the policy makers are recognizing the methods of sharing the responsibility of environmental and social growth of the country, by collaborating with the corporate sector. This is not to recommend that a feasible and responsible business plan could ever serve as a substitute for open spending, yet it can assume a supporting part in various territories. The third reason is that it is the responsibility of the policy makers to encourage corporations to do CSR activities considering it as their responsibility to improve social, economic and environmental issues for the benefit of the society. It may not be forgotten that the primary focus of the corporations may be the profit-generating activities only, and they not always act as a good corporate citizen that are where the responsibility of law enforcing agencies and government comes in by implementing regulations and providing incentives. This will result in making the profits legitimate which do not come at the expense of the society and the environment. The fourth reason is that with the help of CSR, the long-term economic competitiveness of the nation is improved. Promoting the CSR is a critical tool in achieving the agenda of policy makers to improve and grow the competitiveness of their country, to support local industry and attract foreign investments.

The report further explains the four reasons why governments ought to try to advance CSR, and responsible and sustainable business rehearses which are from Social, economic governance and market point of view.

The MNCs from abroad are setting up business and purchasing raw material from local farm producer. When they can do so, why do local farmers lack behind in Malaysia? Currently in Malaysia, a huge volume of the dairy industry has been captured by Nestle, Dutch Lady, F & N and similar foreign brands. So what are the reasons behind this?

CORPORATE RESPONSIBILITY OF MNCs

Corporate social responsibility is not a new concept, and it has been more than fifty years since this concept is known. The number of international as well as local companies is being increased who are doing a different kind of voluntary CSR activities, and these are supported by associations within business and industry. The current attention about CSR in public speeches is the proof of revival of these activities.
IMPACT OF MNCs IN HOST COUNTRIES

In less developed countries, MNCs are involved in very beneficial and useful activities and for the sake of which they have received the very small amount of recognition [2]. The increase in income levels and improvement in consumption of good quality products and services of the people living in poor areas of the world are the important tasks which have been achieved. As an alternative, the advocates of dependency theory and Marxist has misrepresented this theory by using ugly pictures of this theory. The reason behind is that most of these companies belong to industrial countries like US, UK, Germany, Canada, France and Italy, and they are considered as tools to impose western values on less developed countries rather than being supporters of the economic development. Hence, some of the opponents of these ideas emphasize the dismissal of these companies, whereas; those with less hostile views have emphasized to have very strict and close monitoring or regulations by the Governments of third world countries.

Many authorities especially in Africa and Latin America have considered the negative feedback and have implemented some hostile policies towards MNCs. However, if we do a detailed analysis of the type on MNCs and their workings in these less developed countries shows a positive image if these companies, especially when they act as the supporter in the development process of these countries. It is very crucial for the benefit of these less developed countries that the positive contributions made by these companies should be exposed widely. While these firms should be encouraged to invest in these countries for the sake of larger profits, still the ethics of their activities in improving the standard of living in these countries should not be kept hidden.

Research Questions:

Based upon the discussion detailed above, this study conceptualizes following questions, answering these may lead to the contribution of this study:

- What are the factors that impede Malaysians dairies to come up with their own brands?
- Are these MNCs giving back to society regarding their corporate social responsibility as they claimed?
- What are the major areas that these MNCs claim to be contributing to the community?
- Are these areas worth spending money, for sustainable development of dairy industry or is it just a marketing strategy.

Proposed study intends to fill in the gap in the literature relating to dairy industry of Malaysia as there is not a considerable literary work has been done on Malaysian dairy industry in particular reference to CSR practices of dairy MNCs. Similarly, this study intends to find the gap between CSR practices in the industry. This study also aims to look a difference between current policies in Malaysia and their proper implementation.

IV. RESEARCH METHODOLOGY

This study involves qualitative methods of content analysis where the researcher has first studied the annual reports of three main dairy MNCs which operate in Malaysia. From their annual reports, their corporate performance is analysed for five years on the basis of profitability.

In the next step, their CSR Practices are analyzed based on the activities they perform in Malaysia.

CONTENT ANALYSIS

1 - Corporate Performance of Nestle, Dutch Lady and F&N

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<tbody>
<tr>
<td>Profitability</td>
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<tr>
<td>Net Margin %</td>
<td>11.45</td>
<td>11.73</td>
<td>11.09</td>
<td>9.71</td>
<td>9.72</td>
</tr>
<tr>
<td>Asset Turnover (Average)</td>
<td>2.19</td>
<td>2.4</td>
<td>2.33</td>
<td>2.49</td>
<td>2.31</td>
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<tr>
<td>Return on Assets %</td>
<td>25.06</td>
<td>28.13</td>
<td>25.87</td>
<td>24.14</td>
<td>22.42</td>
</tr>
<tr>
<td>Return on Equity %</td>
<td>60.08</td>
<td>71.06</td>
<td>72.6</td>
<td>72.76</td>
<td>66.31</td>
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<tbody>
<tr>
<td>Operating Cash Flow Growth % YOY</td>
<td>28.08</td>
<td>-19.92</td>
<td>42.42</td>
<td>14.33</td>
<td>19.92</td>
</tr>
<tr>
<td>Free Cash Flow Growth % YOY</td>
<td>9.78</td>
<td>-32.65</td>
<td>37.11</td>
<td>33.92</td>
<td>-3.53</td>
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<tr>
<td>Cap Ex as a % of Sales</td>
<td>7.31</td>
<td>4.43</td>
<td>3.48</td>
<td>1.98</td>
<td>5.57</td>
</tr>
<tr>
<td>Free Cash Flow/Sales %</td>
<td>10.3</td>
<td>9.43</td>
<td>14.71</td>
<td>10.4</td>
<td>9.07</td>
</tr>
<tr>
<td>Free Cash Flow/Net Income</td>
<td>0.9</td>
<td>0.8</td>
<td>1.33</td>
<td>1.07</td>
<td>0.93</td>
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<tbody>
<tr>
<td>Current Ratio</td>
<td>0.68</td>
<td>0.87</td>
<td>0.9</td>
<td>1.11</td>
<td>1.09</td>
</tr>
<tr>
<td>Quick Ratio</td>
<td>0.4</td>
<td>0.48</td>
<td>0.56</td>
<td>0.54</td>
<td>0.56</td>
</tr>
<tr>
<td>Financial Leverage</td>
<td>2.96</td>
<td>2.76</td>
<td>2.54</td>
<td>3.12</td>
<td>2.9</td>
</tr>
<tr>
<td>Debt/Equity</td>
<td>0.12</td>
<td>0.11</td>
<td>0.13</td>
<td>0.53</td>
<td>0.53</td>
</tr>
</tbody>
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<thead>
<tr>
<th>Efficiency</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Days Sales Outstanding</td>
<td>38.21</td>
<td>34.17</td>
<td>33.6</td>
<td>31.02</td>
<td>32.83</td>
</tr>
<tr>
<td>Days Inventory</td>
<td>45.72</td>
<td>48.42</td>
<td>56.44</td>
<td>51.89</td>
<td>50.61</td>
</tr>
<tr>
<td>Payables Period</td>
<td>128.75</td>
<td>111.93</td>
<td>52.99</td>
<td>56.01</td>
<td>84.75</td>
</tr>
<tr>
<td>Cash Conversion Cycle</td>
<td>-44.82</td>
<td>-29.54</td>
<td>37.93</td>
<td>-46.9</td>
<td>-1.89</td>
</tr>
<tr>
<td>Receivables Turnover</td>
<td>9.55</td>
<td>10.68</td>
<td>10.86</td>
<td>11.76</td>
<td>11.11</td>
</tr>
<tr>
<td>Inventory Turnover</td>
<td>7.98</td>
<td>7.54</td>
<td>6.47</td>
<td>7.03</td>
<td>7.3</td>
</tr>
<tr>
<td>Fixed Assets Turnover</td>
<td>4.11</td>
<td>4.81</td>
<td>4.96</td>
<td>5.26</td>
<td>4.58</td>
</tr>
<tr>
<td>Asset Turnover</td>
<td>2.19</td>
<td>2.4</td>
<td>2.33</td>
<td>2.49</td>
<td>2.31</td>
</tr>
</tbody>
</table>

Nestle being one of the largest producers of dairy around the world, maintains its performance in Malaysia. It is clear from the profitability ratios that performance of the business is reasonably stable. From cash flow ratios it is clear that the business is maintaining its cash flows efficiently. Financial health of the business is also good and steady. However, efficiency ratios show that the business efficiency is almost the same as previous years. So it can be said that the business of Nestle is growing in a steady trend.

DUTCH LADY
The profitability ratios show that business is earning in an upward trend since 2010 till 2013. In year 2014, the overall business performance is low, the reason of which has not been mentioned officially on the reports. But it might be probably because of the global slowdown in business. From the cash flow it is also visible that trend is quite stable. Liquidity performance of the business is very good. The current and quick ratios are above bench mark, proving the solvency of the business is very much stable. Whereas from efficiency ratios, it is clear that on average the efficiency is reasonable. From overall ratio analysis, that the performance of the business is in upward trend, there is not any extraordinary condition of worry for the business regarding its stability or less profit.

F & N

The limitation of data about F & N is because complete data in the annual reports were unavailable on the websites. However, form the available data is clear that F & N also is progressing quite reasonably. The profitability of the business is ok, the financial health and efficiency seems to be good also.

As a result it can be said that from the above information it is visible that the trends in financial statements of all these three companies are very positive. Net profit is in an increasing trend, cash flows are getting improved, business efficiency is being improved continuously, and financial health of the businesses is also going upward.

2- CORPORATE SOCIAL RESPONSIBILITY

Year 1980 was the start of CSR practices in Malaysia, but it has been recognized on a larger level only in past decade (Ahmad, et al., 2003; Esa & Anum Mohd Ghazali, 2012). The reason for this growth is because of some of the government initiatives to promote this concept by providing some incentives for better CSR practicing companies; the awards, and fiscal incentives. An example of this is the Prime Minister’s CSR Award which was launched in 2007.

Further, in this part the researcher has consolidated the CSR activities of these companies which they are doing over the period of years. So herein the per company performance of practicing CSR activities is follows:

NESTLE

According to Nestle Report of “Creating Shared Value”, Creating Shared Value (CSV) is a methodology that exemplifies its will to help enhance the standard of living and make success for the individuals whose lives it touches through its operations and business and is the basis of its conviction that all together for the Company to flourish and grow, it need to additionally guarantee that the society in which it works do as such as well.

Some facts about Nestle are:

- The largest food manufacturer of the world, having headquartered in Vevey, Switzerland.
- Employs 339,456 people around the world.
The Impact of CSR Practices of MNCS on Dairy Industry in Malaysia

➢ With the representation of more than 2000 global and local brands, it sells over 1 billion products every day.

➢ Around the world, it has 31 Research and Development and Product Technology Centers. (12 Product Technology Centres& 19 R&D Centres ).

Nestle has divided its CSR activities into four areas, which are, Community, environment, workplace and marketplace. From the reports of CSR activities, Nestle claims to be very active in serving the community with the initiation of certain programs called as employee volunteer programs for the Community and the Workplace. Nestle has been keeping in view the issues related to health, such as overweight, food poisoning, mal nutrition, inactive lifestyles and elderly population.

The company is aware of the United Nations’ Millennium Development Goals (MDG), and for which it has been contributing through its work with collaborating with external stakeholders both government and non-governmental organizations- in many community based programs which are targeting on poverty reduction, education, environment protection and gender equality and liberation.

Nestle has launched new programs over the period of years by organizing many sports-encouraging activities e.g.; HIDUP BOLA, Go Further Camp and Play More Learn More. The aim of these programs is to encourage children to play more sports as nestle believes that sports is a very important part of a child’s growth and considers it as a basic part of growth. With these games, children are able to learn not only about the technicalities of the particular game, its regulations and rules, the basic information about the nutrition but also, the significance of warming up and cooling down physical activities.

The company also involves itself in the relief activity for flood victims in the near past, December affecting five states- Kelantan, Terengganu, Perak and Johor. Company provided immediate food aids to the victims, such as Breakfast cereals, Nescafe, Quick Maggi noodles, and Milo which were delivered via mobile vans and also provided 50000 Maggi cups to the Flood relief collection of Media Prima. Another activity was through collaboration with Red Crescent Society to provide essential items for example, rice, pillows and hygiene products. It provided donations thorough purchasing of Nestle products and provided financial help and temporary accommodation according to company’s Natural Disaster Assistance Policy.

Help to local Industry: By introducing a farming scheme called as “Chilli Contract” in collaboration with Agricultural Services Department and Local Farmers Association, Nestle is also helping the lower income communities for improving their lives. The purpose of this is improving productivity and quality of produce according to global standards. The collaboration started in year 1995.In order to make sure the best quality Malaysian, agricultural products, the authorities has made SALAM endorsement as a compulsory pre-requisite to be the “Malaysia Best Brand”.

With the objective of educating and mentoring the small and medium based entrepreneurs who are dealing in Halal food and beverages industry, the company has signed a MoU with SME Corporation and Halal Industry Development Corporation in August 2009, to promote best practices in the areas of Halal Implementation and assurance. Since the initial trial session in 2010, Nestle, Halal Industry Development Corporation (HDC) and Small-Medium Entrepreneurs Corporation (SME Corp) has managed to successfully organize and accomplished four meetings annually, making out to a total of 250 companies and 350 participants.

As an acknowledgement of its CSR activities, Nestle has received following awards from the concerned departments. For example the company was awarded 1) National Annual Corporate Report Award (NACRA 2014) , for excellence in quality of financial , corporate and CSR reporting, 2) Malaysia Book of Records , 100 Years of Excellence awards which acknowledges the country’s record holders, breakers and creators, 3) Asia Corporate Excellence & Sustainability Awards 2014 for contribution to the economy, 4) Halal Excellence Award 2014, for extraordinary dedication in developing halal industry , 5) Malaysia’s 100 Leading Graduate Employers Award 2014, as a result of voting by university students of final year, 6) The Dragon Award, which was organized by the PMAA (Promotion Marketing Awards Malaysia) which recognizes and chooses the only best marketing campaigns for promotion, including individual country as well as in overall ASEAN region, 7) Advertising and Marketing Magazine’s Agency of the year and MARKies Award 2014 for a recognizable achievement in creating advertisements of award winning level. 8) The Putra Brand Award 2014 which recognizes and honors many of the country’s favorite and big brands throughout the industry on the basis of consumer preferences, 9) The Effie Awards 2014, for creating unique ideas and executing them as planned and increasing sales and marketing targets.

DUTCH LADY

With the start of Dairy campaign in Malaysia by celebrating World Milk Day in June 2008, Dutch Lady Malaysia has become more popular brand. Now, this day is being celebrated all over Malaysia to continuously act as a prestigious commitment to the citizens to persuade consumption of milk and to teach those benefits of milk for their health. Dutch Lady claims that Corporate Social Responsibility is the one of the bridge to its business goals; they are dedicated to reveal responsible corporate behavior crossways all aspects of their operations and as a leading dairy company.

Dutch Lady Malaysia was awarded The Edge Billion Ringgit Club’s Company of the Year 2014 Award, for its extraordinary returns and profits to stakeholders over the period of past three years and also for its Corporate Social Responsibility activities.

These activities follow their mission of ‘Helping Malaysians move forward in life with trusted dairy nutrition’. In its corporate social responsibility strategy, Dutch Lady Malaysia is working on these priority areas in order to share the values with all the stakeholders.

➢ The Social responsibility and Environment
➢ Nutritional balance
➢ Self Sufficiency of Dairy
Dutch Lady Malaysia plans to proceed with its endeavors in fighting over-weight and supplement inadequacy by guaranteeing that its items are capably produced, healthy and accessible in different options and different sizes. They have likewise decreased the sugar content in their items and always find out the ways to teach the customers to adhere to a good diet and way of life and underscoring the significance of games and physical activities to remain healthy. Following programs has been launched by Dutch Lady to show its commitments towards society: 1) National School Milk Programme in which A plat form is being used to teach awareness about benefits of milk to the school-going children, which is the part of its mission in making the healthy nation. Another program called as 2) Drink.Move.BeStrong , which was launched in year 2014. The purpose of this program was to improve the nutritional level of the children, by working in collaboration with all stakeholders which are, policymakers, teachers, and parents and last but not the least, the children.

Within the company itself, Dutch Lady gives a workplace portrayed via decency, appreciation and integrity. They are dedicated to provide equivalent open doors on all stages of their company, from recruitment stage and through open doors to improvement & advancement. The company is focused on standards of differences, and its worker profile mirrors a wide mixed bag of ethnicity, gender and age. Employee engagement additionally stretches out the workers to their relatives, who have chances to accumulate and become more acquainted with families of different workers. In accordance to its corporate goals to emphasize the soul of working as a team, different exercises we conducted, for example, Family Day and the school occasion system called Grass to Glass Camp, where employees’ children get the chance to tune in for fun exercises and find out about the benefits of dairy.

In order to make sure to acquire talent, and its existing talent nurtures and nourishes, Dutch Lady has been conducting Dutch Lady Associate Program and Talent Assessment Program to spot talents with extraordinary managerial and leading skills. To improve the performance and competencies of existing employees, many initiatives and programs have been launched to improve the communication skills as well as technical knowledge of vast areas encircling, safety, communication, management, leadership and operational excellence. Knowing the importance of Youth, for the future of the country, and to give them a brighter future, Dutch Lady emphasizes on taming and fostering the young generation with the correct skills, knowledge and values essential to shaping a brighter tomorrow. The company hires right candidates below the age if 25 for one and a half year in its Associate Program, with the help of which candidates are able to seek a lot about different areas of the business such as Sales, Marketing, Human Resources, Operations & Finance.

With its community outreach programs, Dutch Lady reaches out to Malaysians along with charitable institutes and media coverage, school and homes of children all over the country. The purpose of it is to increase the importance of goodness of milk in the Goodness of Dairy (GooD) programme. The participants explains a good understanding of dairy, such as the benefits of drinking milk, the importance of milk in a balanced diet, as well as where milk comes from, through its GooDprogramme,. Among these activities, done under these program consists of a Grass to Glass Camp at the Forest Research Institute of Malaysia, Rumah Al Rahmaniah in Banting, Selangor, and GooDprogrammes at its adopted children homes – Shelter Home Petaling Jaya and Gotong-Royong at the KST Cow Farm in Melaka.

Along with the mission of helping Malaysians to grow with trusted dairy nutrition, Dutch Lady has been playing a very active role in supporting deserving organizations via sponsoring them and donation of its dairy products, particularly when health & nutrition and well-being of families and children are concerned. Pertubuhan Rumah Anak Yatim Penyayang Bestari and Shelter Home 1 in Petaling Jaya, are the two orphanages adopted by Dutch Lady in year 2014 where it became the homes’ official nutrition partner, by donating milk supply for over one year. Moreover the children are getting benefits from many sessions which teach them about goodness of milk in their daily life. Dutch Lady Malaysia has also donated items to a total of three hundred twenty institutes which include Orphanage homes, NGOs, Schools, enrichment centers and important outside stakeholders events like Family Days and CSR based exercises. The company contributed the milk products as donation amounting of three hundred fifty thousand Malaysian ringgit to the countrymen who got affected in Pahang, Perak, Terengganu and Kelantan due to flood in year 2014 by collaborating with many governmental and non-governmental organizations and media representatives. The company had also volunteered its conveyance to deliver the goods Pasir Salak, Perak, under a charity program by the NSTP media group. The support to local communities is reflected with the act of partnering with the Red Crescent Society (MRCs) Malaysia in year 2014 to supply of help to flood victims in Pahang and Kuantan by providing milk powder to 150 homes, which were affected in these areas.

Help to Local Dairy Industry- Improving Dairy Self-Sufficiency

In order to help the local dairy farmers, Dutch Lady Malaysia has collaborated with Embassy of Netherland and Malaysian Veterinary Science Department since year 2008 to make these farmers’ business more sustainable. Dutch lady has helped the local farmers to increase their production of milk, as well as quality and has ensured the sustainable supply of milk to the company, through their Dairy Development Programme (DDP). Dutch lady is the largest purchaser of local fresh milk in Malaysia.

Dutch Lady, together with Department of Veterinary Sciences, has started an educational campaign in order to train and educate the local farm producers about refine dairy practices and to benefit from more profitable earnings. This program consists of series of three posters guiding the farmers about Good Animal Hygiene Practices, ranging from 1) The correct method to prepare the cows for milking process, 2) How to handle the process hygienically and 3) How to prepare the milking equipment to the process of handling milk collection.

In June 2014, Dutch Agricultural Minister Her Excellency, Sharon Dikksma and her delegate visited a local dairy farm and milk collection centre. To promote its mission of educating and increasing the exposure of local producers to better dairy practices, a joint visit to Vietnam was arranged in 2014, when the Company
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made a networking with a delegate of 30 people cooperative farmers from Malaysia and officers of veterinary department to the Friesland Campina Vietnam DDP pilot farm. Over the years, the DDP has shown great improvements in terms of volume and quality of the milk produced by the Company. To honour its Dairy development programs, Dutch Lady Malaysia was given an award of Malaysia Dutch Business Council Sustainability Awards in the category of Best Business Sustainability by an MNC, in December 2014.

F & N

Like other MNCs in the industry, the F&N Group also claims to fully follow the Government’s attempts and plans for sustainable economic development. F&N plans to continue to include into their business philosophy many new things and procedures to help in promoting the successful fortification of the ecosystem, rational usage of natural resources, sustaining a stable growth of economy and employment to make sure that everyone has a better quality of life not only for present but also for future generations. They keep on reviewing their business practices and initiatives and they keep on doing responsible business practices that will help to reduce the stress on the environment. To monitor and report the success of these practices, certain measures have been taken for continuous improvement.

F&N governs its Corporate Responsibility initiatives activities into following four areas:

- Environmental Stewardship
- Waste reduction
- Energy management
- Water consumption

F & N claims to carry out numerous activities of vital importance in the community. Over the years, it has conducted various programs and exercise for the elderly wellbeing and for the better life of the foster children living in local communities. These activities consist of, the formation of a ‘knowledge corner’ - SudutIqra’ - at orphanages in Kedah & Perlis to grow the aspiration for education within these orphans, while rejoicing the joyful time of year with underprivileged people and gratifying its employees’ children with the help of introduction of this kind of programs.

Continuing the success story, another “SudutIqra” has been established at Yayasan Anak-Anak Yatim Pinggir TTDI (RumahIlham) to encourage understanding and raise the ability to speak fluently the English language among children as part of the company’s national programme. To set up a “SudutIqra” everywhere in the country, is the company’s aspiration. These programs have helped these Children, a lot in Kedah & Perlis in gaining the self-reliance plus motivation and discipline among disadvantaged kids. In order to help these children to increase their self-confidence, a series of team-building exercises had been conducted by developing a camaraderie sense and fostering racial unity among the children.

With its outreach program for community, specially in collaboration with joyful celebrations like Aidilfitri, F & N provides berbuka puasa treats and goodies to underprivileged children, whereas for the elderly people, F & N conducts annual visits to the homes. The company keeps donating monetary help, beverages, food and necessities on many different occasions.

In order to acknowledge the people who always move up above the call of duty to carry out be remarkable performance range from daring tasks, courtesy, National-building Promotion to exceptional sports, educational and industry performance, the company introduced the Out-Do Yourself Award (OYA) in concurrence with its 125th anniversary on 24 July 2008. This Award distinguishes and rejoices worthy locals and expatriates within country with an exemplary attitude towards life and instills a culture of acknowledgement of really excellent performance. This esteemed award was given fairly and impartially to deserving persons every quarterly by a board of judges consisting of well known journalists. The annual receivers of this award are maximum of twelve people. It comprises of a cash reward of RM 3000, engraved plaque, gratitude certificate, and the company goodies. In order to make sure the purposeful and determine the winners of the award, the board will continue to meet at regular periods.

F & N claims to consider the health and wellbeing of the customers at the top priority as a leading brand name to ensure that the company is doing responsible marketing. In order to make sure that company is delivering according to brand promise, F & N promotes responsible consumption if its products. F&N tries to make sure that its products are according to the best practices and food regulations, when they deliver them in the market. In order to make sure full compliance, F & N has got the required certification and license which is followed by regular audits. In today’s era of highly available information, all the consumers are very well informed and they have become more aware and careful about the products when it comes to food & beverage. To keep the consumer aware about this, the product packaging has list mentioning, vitamin material, sugar, calories and protein etc. And to make the consumers able to make the right decisions about the product, the ingredients of each product, with all the relevant information, has clearly been written on the packaging. This is to make the consumer informed so that they have knowledge of contents of the product and should consume product without any harm. Along with this, information to use the product are also mentioned on the packaging, which includes recipe formation, applications of this food and recommendations mentioning that how can these products balance the standard of living of the customers.

F & N has worked in collaboration with information ministry in 2008, to educate the consumer about Rukun Negara by putting labels on eleven million cans of Gold Coin Creamer, F&N Sweetened Creamer and F&N Vitaminised to help the nation-building. The purpose of this program was to educate as much citizens to initiate the help for Rukun Negara to be it in business their daily lives,

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their official principles and practices.

V. DISCUSSION AND CONCLUSION

In this chapter, the report will first embark a discussion of the results obtained. This will be followed by limitations of the study and finally the conclusion and future recommendations for this research study.

DISCUSSION

From the above analysis, it is visible that the companies are involved in CSR practices quite actively. Nestle is doing a lot of CSR activities within Malaysia, like other parts of the world as a group. Nestle being the largest food manufacturing company, is involved into a greater number of activities compared to the other two companies. And Nestle is very much versatile into its CSR activities. For example, it has been involved in CSR activities in broader areas of Community, Environment, Workplace and Marketplace with narrow areas of health, natural calamities, dietary patterns, children issues, helping flood victims, encouraging sports spirit, educating consumers. Every year, Nestle along with its financial results, issues a separate report called as report for Creating Shared Value, which comprises of all the CSR activities. Nestle has performed throughout the year.

On the other hand, Dutch Lady also being a good market player is performing activities in three main areas which are balanced nutrition, the environment, and social responsibility and dairy self-sufficiency. These areas are further subdivided into different programs involving school children and promoting the importance and goodness of milk to them. The main program of Dutch Lady is called as World Milk Day, which is helping the people around the world, including Malaysia, to learn about the benefits of usage of milk and products in the routine life. Other programs involve sports activities among school children, conducting family days etc. The social part consists of nurturing the young talent, helping orphan houses and foster homes, with different kind of monetary and non-monetary donations, creating charity events. The other main area of Dutch Lady CSR operations is helping the local industry which part will be discussed later in this chapter.

Fraser & Neave does its CSR activities in four major areas which are Environmental Stewardship, Waste reduction, Energy management and Water consumption. The company is involved in providing help to orphanage houses, with creation of different events. Other activities involve educating children on sports and milk habits with introducing many sports activities.

From the discussions, it may be concluded that Nestle has involved itself into a greater number of variety of CSR activities, which cover most of the social areas. The reason can be because Nestle itself has been dealing in a greater variety of products, for example, dairy, milk, juices, baby food, cereals, yogurt, milk cream, ice cream, chocolate, coffee, bottled water, frozen food, pet care service etc. On the contrary, Dutch Lady, through its CSR activities, mainly in dairy industry, is helping the local industry. The reason for this may be because the products, Dutch Lady is dealing with, is all related to dairy. Fraser & Neave mostly doing CSR activities related to water management, waste management, energy issues etc. The reason may be because it is dealing in much diversified areas such as dairy, soft drinks, property and printing and publishing also.

The first research question was that what is the impact of MNC’s Corporate Social Responsibility practices on Malaysian dairy industry? It is evident from the above analysis that MNCs are earning quite reasonable market profitability and the growth is also steadily in upward trend. From the reports, it can be seen that the largest market player nestle is doing huge number of CSR activities with a lot of diversity so which can be considered as a good act of giving back to the society. Whereas the CSR activities MNCs are performing are required by the society more than the help in development of Malaysian dairy industry, is a question to be asked. Same goes to Dutch Lady which is also much diversified in its CSR activities and a more focused on local dairy industry compared to other activities the reason being the main area of their business operations is dairy products only, unlike its other competitors, which are dealing beyond dairy industry also. Whereas F & N is more focused on water, energy and waste management, for being involved into its own line of business as carbonated drinks, dairy, printing and publishing and property business.

So, what factors are restraining Malaysian dairy industry to grow? The factors, which are restraining the Malaysian dairy industry growth, could be numerous. Because of the limitations of this study, time constraint, and depending only on secondary data, annual reports, websites, and CSR reports, the answer may be partially answered as there must be something lacking in the CSR policies of the companies that they are doing a lot of CSR but it’s not helping the local industry to grow. Companies may need to do some focused CSR on development of local dairy industry, for which the government may make some clear policies.

Now, are these practices of MNCs are good in terms of their social responsibility or not? Answering this question will be a subjective approach, as any kind of good activity is definitely beneficial for the society. But the point here is the priority of choices. For example at this stage where after so much development in Malaysia in all sectors of the economy, dairy industry is still at very pre-mature stage, so by this time society priority can be the development of local dairy industry rather than the other less-prioritized activities.

LIMITATION OF THE STUDY

The main limitation of this study is time constraints because of which the research has been focused on very narrow area of the local dairy industry. As a result only secondary data has been used, in the form of annual reports, CSR reports and the website, which may not be sufficient for the better understanding of the entire issue. Some questions are needed to be answered by the concerned stakeholders of the industry, for example, the farmers themselves, the government officers of dairy and agricultural departments, the government and the tax authorities, the CSR officers of the MNCs and consumers. As the data available on the reports has been analyzed and concluded, that CSR practices of MNCs can definitely contribute to the development of the society but there are many other factors too, which needed to be taken into account to make a perfect conclusion which was restricted because of these constraints.
CONTRIBUTION

From the discussions and the analysis, it may be stated that companies are doing CSR based on their own line of business, where they are operating or where they find their interest. So it can be said that companies’ CSR priorities are proportional or related to their line of business.

It has been mentioned in the introduction of the paper that companies are receiving many tax incentives, fiscal benefits, awards and rewards. Government may need to change their policies regarding the incentives given on these activities, by making sure that the CSR done by these companies is sustainable and are being done on the priorities of the societies, not on the priorities of the companies.

The actual CSR practices of MNCs should be focused on the primary requirement of the society. For example Malaysia needs its local dairy industry development, so companies may be focused towards performing those CSR activities which may result in the development of local dairy industry.

FUTURE RESEARCH RECOMMENDATIONS

Based on the findings of this study, the following suggestions are being put forward for future research:

This study can be conducted using larger samples. Because findings may be distorted by some abnormalities reported result from one or two companies. It is recommended to conduct this research in future by widening its areas. For example, the target audience should include dairy farmers, to ask them directly, what kind of problems they are facing to develop and grow this industry. If they are need of any help by the government, what kind of help it can be. If they need any help from MNCs what kind of help it can be. Further, all they stake holders must be interviewed including government officers from concerned ministry to see that do how they see this problem and their recommended possible solutions. The CSR officers and executives of the companies should also be interviewed to see how they see this situation and do they know that local dairy industry needs a support from them.

CONCLUSION

The companies are helping the local community at different levels. From the available information it can be analyzed that the most related CSR-Practices are being done by Dutch Lady. With the collaboration with Department of Veterinary Services and Netherlands Embassy, Dutch Lady is helping local dairy business to be more sustainable since year 2008. Being the largest local fresh milk purchaser, it is helping the local farmers and also educating them on procedures to increase the volume and quality of the milk. Secondly nestle also has collaborated with the Agricultural Services Department and Local Farmers Association to help the low-income community in improving productivity and quality of dairy products according to international standards. On the other hand, from the available reports and disclosures, it may be stated that F & N is not doing any considerable activity to promote the local dairy industry of Malaysia.

It is recommended to the government to make sure that those companies, dealing with dairy products must contribute in development of local dairy industry, even though they are performing in diversified business but as long as they are dealing in dairy also, they must contribute somehow to gain the fiscal and government incentives.

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