

*Full Length Research Paper*

# **An empirical study on corporate social responsibility in Malaysian aviation industry: A case study**

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**This research has provided a basic understanding on the factors influencing corporate social responsibility (CSR) activities in Malaysian aviation industry. There are four factors which have positive relationship, four plausible factors and one factor with negative relationship and it is safe to mention that this research has met its objective that is, finding out the factors influencing CSR activities. This research has successfully established the factors influencing CSR activities. As the limitation and future research suggestion can be considered in future when the research is extended, the basic of the research can be obtained from this research. As consumer, some change in mindset is needed for betterment of CSR in the future. With Bursa Malaysia and Security Commission of Malaysia, the future of CSR in overall industry is excellent and with the introduction of Islamic values in business, CSR can be at the driving force.**

**Key words:** Shareholder and owner financial performance, brand image and reputation, cultural system.

## **INTRODUCTION**

Business ethics is the single most important factor which makes an organization to be sustainable for many years. Many companies which are successful in terms of profit did not make it to the end because their code of business ethics did not help them to pertain and sustain the business. In current volatile business world, it is much easier to be unethical rather ethical because of the issues like competitors, scarcity of resources, profit gaining and business opportunities. All these factors made organization to be unethical not because they are greedy

but the need for survival. Phatak et al. (2005) defines business ethics as the moral thinking and analysis by corporate decision-makers and other members regarding the motives and consequences of their decisions and actions. As business ethics prevailed as good citizenship for an organization, it became a base for organizations to perform corporate social responsibility (CSR). Having good business ethics allows an organization to function efficiently and effectively not only in their business but in serving the community.

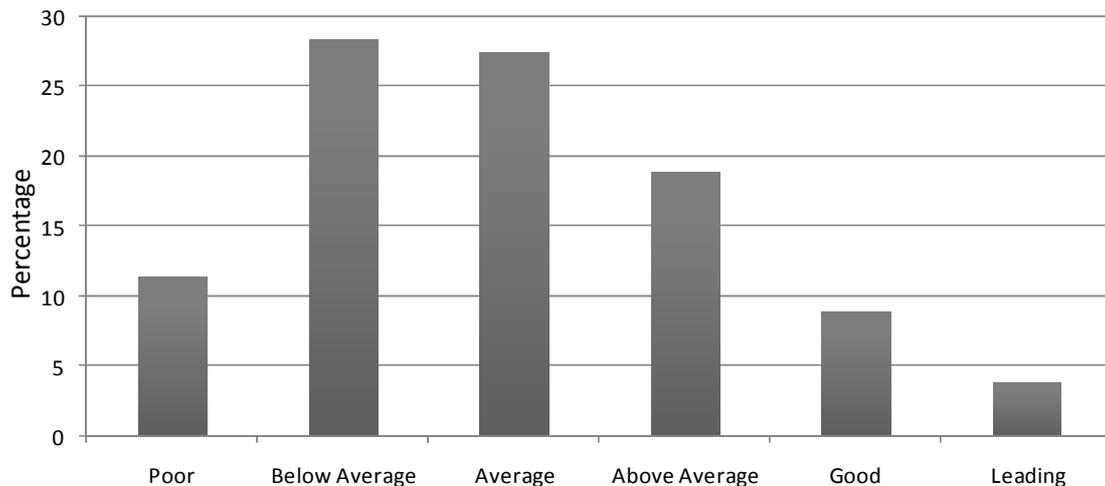
## **Corporate social responsibility (CSR) in Malaysia**

A report by Ng (2008) listed that locally listed corporations are far behind international standards when it comes to implementing CSR practices, with nearly two-thirds of those surveyed ranking between poor and average categories. Bursa Malaysia Bhd's CEO Datuk

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**Abbreviations:** CSR, Corporate social responsibility; PLCs, public listed companies; GLC, government linked company; MAS, Malaysia airlines.



**Figure 1.** Percentage on the status of CSR in Public Listed companies.

Yusli Mohamed Yusoff said that, the 2008 CSR survey undertaken by the exchange, revealed that listed companies showed poor understanding and lack of awareness in incorporating CSR policies and disclosures in their daily business operations. In the year 2008, a CSR survey conducted by Bursa Malaysia among Malaysian Public Listed Companies (PLCs) revealed a substantial difference in the efforts taken by the PLCs in incorporating CSR practices. The results showed that leading PLCs operating in Malaysia are integrating CSR across their business. However, most PLCs received low scores and lag far behind, lacking awareness, understanding of CSR issues relevant to their operations.

Results in Figure 1 show that 11.5 % fall into the Poor band, 28.5% fall into the below average category, 27.5% fall into the average category, 19% falls into the above average band, 9% into the Good category and 4.5% in the leading category. The purpose of this research is to find out the crucial factors influencing corporate social responsibility on Malaysian aviation industry. To achieve the purpose, two Malaysian Airlines companies were selected for the research, namely MAS Airlines and Air Asia Berhad.

## LITERATURE REVIEW

### Corporate social responsibility and organization criteria

A firm or organizations size might be associated with the level of social involvement. A study by Smith (1991) found that, heavy manufacturing companies involved in smelting and chemical production are more closely monitored for environmental performance than

companies in other industries. This is due to the fact that heavy manufacturing companies are perceived to be more harmful to the environment and natural habitats. Furthermore, a causal effect exists between business size and industry on the amount of social disclosure (Tilt, 1994). This interaction indicates that the size effect is most obvious in sensitive industries. For example, large firms in the oil and gas industry are more likely to undertake CSR behaviours than small firms in that industry. However, none size effects are apparent in low impact industries such as retailing or financial services. Joyner et al. (2002) also compared small and larger organizations and the results showed that smaller business seemed to better understand the issues of CSR than larger companies. They also identified the different internal and external factors that would cause inconsistency in the ethical behaviour of small and large businesses. On the contrary, a study by Thompson and Smith (1991) revealed that small businesses have not been encouraged to overlook social activism and to concentrate instead on avoiding irresponsible behaviour.

### Self regulation, government regulation (Law) and non-government organization

Legal responsibility is an important component of global CSR according to Carroll (2004). Companies have to obey the law in each country since it sets the norms of what is acceptable and unacceptable. If laws and regulations are not obeyed it can damage the company's reputation and image on the market. Galbreath (2006) says that laws are generally imposed by government when the companies and market have failed to "ensure fair competition, safe products, fair and equitable working

conditions and a clean and healthy environment". Laws are also developed with respect to different social responsibility aspects, usually demanded from agencies or organizations within that area (Steiner and Steiner, 2000). A country like Malaysia is actually wrapped with law and regulation. There are many acts related to the companies. Malaysian companies are regulated by Security Commission of Malaysia. Cases such as fraud and corruption are deemed to be excessive and sometimes the punishments are quite heavy. Secondly, being an Islamic country, Malaysia has gained the advantage of doing business, as the Islamic religion itself has self-guarded not only the Muslims but the overall Malaysian. Doing business with the Islam was prohibiting the companies from bad things and being helpful. Freeman (2006) emphasizes that "the power and impact of NGOs cannot be overstated, emerging from almost nowhere to challenge multinational corporations". Freeman (2006) further claims that the NGOs are the institutions that influence business to engage in CSR more than most of the others. NGOs find companies willingness to admit when they have major problems or reduced performance as the most important aspect due to transparency. Freeman (2006) concludes that "NGO relations are becoming almost as important as investor relations, especially from a corporate reputation and communications perspective". Johns (2001) mentioned that the growing CSR trend and its popularity have arisen as a result of the pressure that the NGOs have on companies. NGOs want companies to be "good citizens", which means supporting the NGOs objectives. NGOs often apply pressure on companies not behaving ethically correct but they are also often involved in applying pressure on companies not behaving legally correct.

### **Shareholders and owners of the organization**

CSR is also influenced by the ethics of the firm or organizations. Ethical motivation can guide the business or organization to do the right thing without any external pressure or governmental constrain. Joyner et al. (2002) contended that people believe businesses are amoral, when in fact they generally embrace the values of ethics in doing business. They cited several factors that serve to legitimize their position and one of the factors is society, which expects moral behaviour of the business when it cries out against immoral labour practices or environmental policies.

In MAS scenario a government linked company (GLC) is it a requirement for the company to follow the orders of the Government of Malaysia. Khazanah (investment arm of Government of Malaysia) which controls 20% of Penerbangan Malaysia (MAS) has the motivation in performing CSR activities. The purpose of the Silver Book is to guide the GLCs in becoming responsible

corporate citizen while creating value for their shareholders and stakeholders. This could be a factor for MAS to perform CSR activities. As for Air Asia, being a person Dato' Tony Fernandez has a good reputation with Malaysian. Dato' Tony Fernandez was voted as top three CEO in the year 2008. This could be the motivation for Dato' Tony Fernandez as owner and major shareholder of Air Asia to perform CSR activities.

### **Attract, recruit and retain employees**

According to Ogrizek (2001), business leaders are starting to acknowledge some of the market benefits and competitive advantages for companies who put into place a comprehensive CSR policy. This means that, a business with a strong stance in corporate responsibility will attract top talent and reputation. However, most of the respondents in a study by Zabid and Saadiatul (2002), did not agree that business leaders who have too much social power should not engage in social activities that might increase their social power. It shows that what the political power possess might have a direct relationship with the companies' social agendas.

### **Financial performance and profitability**

Profitability or financial performance also has an influence on CSR. A study by Cochran and Wood (1984), found that within industry groups, the financial variable that most strongly correlated with CSR is asset age and that omission of this variable results in a spurious correlation of CSR and financial performance. In other words, firms with older assets have lower CSR ratings. Aupperle et al. (1985), tested the association between social involvement and profitability and reported it as a positive correlation. Meanwhile Abbott and Monsen (1979) stated that there is no conclusive evidence that there is a clear linkage in any direction between corporate social activities and profitability which in their research, for example, appears convincing that CSR is inversely linked with profitability in the short run.

According to Mcguire et al. (1988), CSR is a core corporate duty which consists of corporate decision making, the relationship of the firm's social and ethical concerns with financial performance. The issue that emerges here is the relationship between the firm's social responsibility and their financial performance. A theoretical framework was used in the research based on the stock market results and it did not show any relationship between financial performance and the firm's social involvement. On the contrary, using the accounting based performance the relationship was established. In order to overcome the weakness of this method, the authors used performance in controlling pollution as a

proxy measure. Corporate social responsibility can be achieved if the firm considers the influence prior to its performance and should be stressed theoretically and empirically.

### Pressure for competitors

The degree of competitiveness in an industry affects the CSR expectations that stakeholders have toward companies conducting business within that country. Al Gore says that countries that have a high degree of responsible competitiveness help companies to do the right thing through public policies and citizen actions and increase the CSR demands on companies. Some of the twenty one factors that affect the degree of responsibility competitiveness in a country which in turn affects the expectation of companies CSR work are: The signing and ratification of environmental treaties, ratification of basic worker's rights, the tax environment, strength of audit and accounting standards, ratio of ISO certification, the level of corruption, press freedom, transparency on transactions and NGO memberships (MacGillivray et al., 2007).

### Brand image, relationship with customers and reputation

This also entails that pressure to competitor will allow the organization to compete in terms of CSR activities. If every organization practices CSR it gives a sense of brand image and reputation. Publicity during CSR activities will always help the organization in future. In certain perspective competitiveness in CSR will help the people to remember the organization and the words of these organizations of helping others will be advertise as news in newspaper or will be the talk of the town. There is no proof as research but logically this is one reason why companies practices CSR. This might happen because the possibility of performing CSR is related to publicity and it could help to increase the brand image and reputation of the organization. There many organization well known for this purpose such as Nestle, Petronas, Maxis, Axiata (Telekom Malaysia) and Astro. These organizations have good reputation with the society because they have created good CSR activities for the society despite the reason these companies are actually financial sound but their CSR activities is well recognized among Malaysian. Some logical deduction can be concluded as; CSR will be helping the organization to have relationship with customers. The relationship with customer either positive or negative will always be there whenever companies perform CSR activities. Sometimes CSR activities will help the organization to build the relationship or even to allow the organization to find new potential customers. As

discussed earlier in this chapter "customers reaction to CSR" indicates that it could be a factor why CSR is practice by many organizations.

### Cultural system

Beside all the theories and research was conducted to prove culture should have positive or negative relationship with CSR activities, there are certain things that need to be understood about Malaysia. Firstly, Malaysia is an Islamic country and with multi ethnic citizens. The core of understanding of understanding Islamic nation simplifies the need to help others and all the good needs that is nurture by the religion. Islamic encourages people to help each other, to pay Zakat (provision) and be fair in business.

The important thing stressed in Islam pertaining business is to be fair and not only focus on profit but focus on the growth of human and survival of the planet. Being a multi ethnic country Malaysia exhibits many good values in terms of human relation. Helping each other, being compassionate, empathic and passionate symbolizes the culture of Malaysia. It would be illogical to say that Malaysian companies are not influenced by the Malaysian culture and Islamic values. This factor was included in this research to test how much of Malaysian culture has affected or being a reason for companies to practice CSR. Looking at Malaysia, understanding the core function of an Islamic nation and eastern culture which is well known for it is collectivism and cohesiveness; culture should be a definite reason for companies to CSR.

Based on the literature review, there are seven independent variables that influences CSR activities in the aviation industry (Figure 2). There are seven hypotheses in this particular research and all seven hypotheses related to the factors that influence corporate social responsibility (CSR) in Aviation Industry.

H<sub>1</sub>: There is positive relationship between relationship with customers' relationship, brand image, sales and customer loyalty with factors influencing CSR in Malaysian Aviation Industry.

H<sub>2</sub>: There is positive relationship between shareholder and owner motivation with factors influencing CSR in Malaysian Aviation Industry.

H<sub>3</sub>: There is positive relationship between financial performances with factors influencing CSR in Malaysian Aviation Industry.

H<sub>4</sub>: There is positive relationship between "to attract and retain employee" with factors influencing CSR in Malaysian Aviation Industry.

H<sub>5</sub>: There is positive relationship between competitor's pressures and factors influencing CSR in Malaysian Aviation Industry.

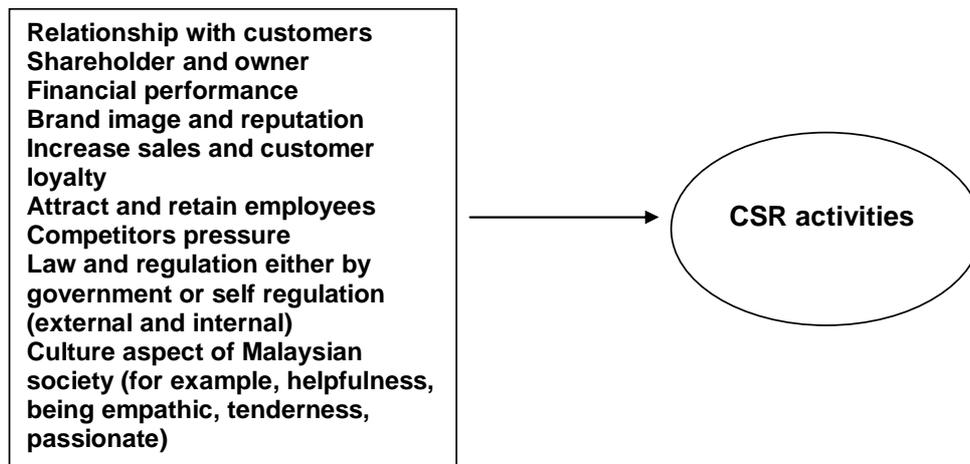


Figure 2. Research framework.

H<sub>6</sub>: There is positive relationship between law and regulation either by government or self regulation with factors influencing CSR in aviation Industry.

H<sub>7</sub>: There is positive relationship between Culture aspect of Malaysian society (for example being helpfulness, being empathic, tenderness, passionate) with factors influencing CSR in Malaysian Aviation Industry.

## METHODOLOGY

As for this research the sampling methods are non-probability sampling and which the sampling technique that was used is purposive sampling. It is an easy task in choosing the sample because there were only two samples available in this research. The idea of the research is to find factors influencing CSR activities in Aviation Industry. In Malaysia there is only two organizations involve in Aviation Industry (MAS and Air Asia); hence it is not difficult to choose the sample.

## RESULTS

Accordingly both representatives for the airlines were requested to acknowledge the CSR activities which the organization involved. This based on model presented by Bursa Malaysia which involves 4 main categories working environment, social, working environment and economical. Both organizations involved in all the activities. Table 1 shows both airlines have ranked their stakeholders differently except for government in which both airlines ranked it as fourth. Amusingly, customers comes first for Air Asia where else it is second in MAS and employees is first for MAS where else third for Air Asia, adding shareholders as its second priority. This shows the level maturity of the both organization, Air Asia is still growing hence customers and shareholders are important being its significant priority but being a 62 years

airlines, MAS is focusing on its internally agent, that is, employees. Media, local community/non-government organizations (NGOs) and suppliers were ranked less significant by both airlines ranking them as fifth, sixth and seventh. The questionnaire also includes the benefits in which the both organizations have received by involving in CSR activities. Interestingly both representatives agree there benefits by doing CSR and some benefits are sometimes not excepted as it is received as a compliment doing good things to the society and employees.

Both airlines representative agrees on all the benefits except MAS disagree that CSR does not provide more security to shareholder and owner, as MAS is government linked company in which it has some privileged from the government and it is shareholders are safe from that perspective. Since this research doesn't focus on the benefits not much questions moderated to understand the benefits of CSR to this organization. Being in the aviation field for 62 years issues such as trend and globalization do not know have impact on MAS but it has impact on Air Asia. But both organizations agreed it is necessary for them to conduct CSR activities. Looking at results, both airlines agreed that all the factors are influencing CSR activities except for competitive pressure. Both of the airlines disagreed that competitors is not a factor influencing the organization in performing CSR activities.

The results indicate that financial performance would have influence on CSR activities for MAS but not for Air Asia. This result varied for MAS because in consolidated question MAS agreed that financial performance is a factor influencing CSR. It also indicate that Air Asia agree that relationship with customers is one of the reason they perform CSR but MAS disagree with this factor.

This result varied for MAS because in consolidated question MAS agreed that relationship with customer is a

Table 1. Summary of analysis.

Category	Air Asia		Malaysia Airlines	
	Yes	No	Yes	No
<b>Involvement of CSR</b>				
Environmental (for example: Recycling, handling of pollution)	✓		✓	
Working Environment (for example: Health and safety management, remuneration Policy)	✓		✓	
Social (for example: stakeholder engagement, social reporting, consumers safety, Scholarship)	✓		✓	
Economical (for example: Company structure and governance, corruption and bribery policies)	✓		✓	
	✓		✓	
<b>Ranking of Stakeholders</b>				
	<b>Rank Air Asia</b>		<b>Malaysia Airlines</b>	
Shareholders/ Investors	2		3	
Suppliers	7		6	
Customers	1		2	
Employees	3		1	
Government	4		4	
Local Community/Non-government organizations (NGOs)	5		7	
Media	6		5	
<b>Benefits of CSR</b>				
	<b>Air Asia</b>		<b>Malaysia Airlines</b>	
	<b>Yes</b>	<b>No</b>	<b>Yes</b>	<b>No</b>
Improve the relationship with customers	✓		✓	
Provide more security to shareholder and owner	✓			✓
Improve financial performance	✓		✓	
Reduce operating cost	✓		✓	
Enhance brand image and reputation	✓		✓	
Increase sales and customer loyalty	✓		✓	
Attract and retain employees	✓		✓	
Greater productivity and quality	✓		✓	
<b>Factors influencing CSR activities</b>				
	<b>Air Asia</b>		<b>Malaysia Airlines</b>	
	<b>Yes</b>	<b>No</b>	<b>Yes</b>	<b>No</b>
Relationship with customers	✓		✓	
Shareholder and owner	✓		✓	
Financial performance	✓		✓	
Brand image and reputation	✓		✓	
Increase sales and customer loyalty	✓		✓	
Attract and retain employees	✓		✓	
Competitors pressure		✓		✓
Law and regulation either by government or self-regulation (external and internal)	✓		✓	
Culture aspect of Malaysian society (for example, helpfulness, being empathic, tenderness, passionate)	✓		✓	
	✓		✓	
	✓		✓	
<b>Response</b>				
	<b>Air Asia</b>		<b>Malaysia Airlines</b>	
Financial performance				
Yes			✓	
Maybe				
No	✓			
Relationship with Customers				
Yes	✓			

Table 1. Contd.

Maybe				
No			✓	
Shareholders and owners pressure				
Yes	✓		✓	
Maybe				
No				
Brand image and reputation				
Yes	✓		✓	
Maybe				
No				
Malaysian cultural aspect				
Yes	✓		✓	
Maybe				
No				
Competitor's pressure				
Yes				
Maybe				
No	✓		✓	
Sales and customer loyalty				
Yes	✓		✓	
Maybe				
No				
Acquire new employee and retain existing employee				
Yes	✓		✓	
Maybe				
No				
<b>Regulators</b>		<b>Air Asia</b>		<b>Malaysia Airlines</b>
		<b>Yes</b>	<b>No</b>	<b>Yes</b> <b>No</b>
External regulation				
Government's regulations	✓			✓
Non-government Organizations (NGOs) rules and regulations			✓	✓
International Regulatory Bodies			✓	
Self-Regulation				
Corporate Governance	✓			✓
Code of Conduct			✓	✓
Corporate Culture			✓	✓
Code of Ethics	✓			✓

factor influencing CSR. Both organizations agreed that state regulation is a factor influencing CSR activities. The results differ on the external regulation in which both organizations are monitored by the government of Malaysia and MAS is also governed by International Air Transport Association (IATA) International Regulatory Body but not for Air Asia. Both organizations agreed that

NGO does not influencing their CSR activities. Both organizations agreed that state regulation is a factor influencing CSR activities. The results differ on the "regulators" in which MAS is regulated by its own corporate governance, code of conduct, corporate culture and code of ethics. This show the significance of being government linked company. As for Air Asia, the organization is

governed by corporate governance and code of ethics but not code of conduct and corporate culture; thus indication it is younger airlines.

The analysis of agree and disagree test result shows some result which differs from the part 1 and 2. Air Asia strongly agrees that relationship with customer where else MAS is neutral about that factor. Subsequently, Air Asia strongly agree that shareholders and owner motivation is a factor that influences where else MAS agrees with it. Both organizations agree with the financial performance as a factor influencing CSR. Air Asia strongly agrees that brand image and reputation is factor but MAS just agrees with that factor. Air Asia strongly agrees "increase sales and customer loyalty" is a factor but MAS remains neutral with that factor. MAS agrees that "attract and retain employees" is a factor where else Air Asia strongly agree with that factor. Air Asia disagree with competitors pressure where else MAS strongly disagree with the factor. MAS agree that law and regulation by government or self regulation is a factor where else Air Asia remains neutral on that factor. On the experimental factor culture aspect of Malaysian society Air Asia strongly agree with that factor but MAS remains neutral.

When question about the importance of Business ethics was asked Malaysia Airlines (MAS) responded that ethics plays a huge part in the organization as it has been an important tool for MAS to interact with their employees, customers and other related parties. Ethics has been instilled in the organization from the beginning and currently it is practice even more rigorously with the presence of new Chief Executive Office who has turnaround MAS. Nevertheless Air Asia responded that Air Asia has its ethics as its business model. The main intention that Air Asia was created is to make flights affordable to customers. Air Asia believes that is the main core of ethical values and the flagship and championing the slogan "everyone can fly". On the question relating to importance of CSR in aviation industry Malaysia Airlines (MAS) responded that being a member of International Air Transport Association (IATA) and industry leader in Malaysia it is MAS honour and responsibility to be actively involved in CSR activities. Being a part of Aviation Industry in Malaysia recognizes the creditability of MAS to perform CSR activities. Issues such as environment and safety can be addressed easily by CSR activities, hence helping to minimize the common statement that Airlines are main cause of Air pollution. Air Asia responded that CSR it is necessary and CSR for Aviation Industry in Malaysia. Many good deeds can be conducted by Air Asia by practicing CSR activities. Air Asia acknowledges the pollution caused by the Aviation Industry. Other than that, Air Asia believe there many things can be done for the society as it is a duty for Air Asia to give be back to the society and environment. In conclusion Air Asia believes it is important for CSR in Aviation Industry.

When the benefit of CSR is queried Malaysia Airlines (MAS) responded that MAS has been with the business for past 62 years and MAS was the first to open trade Malaysia with the world. It has been the national carrier for 62 years and still a pride for Malaysia. Without any doubt MAS has benefited from the CSR activities even though the main motive is to help others. Over the period MAS has grown to be substantial Airlines in Malaysia and Asia. MAS has attracted new employees and retain the existing employee. MAS has been doing its business as CSR, connecting East and Peninsular Malaysia. Certainly MAS has gained some benefited from CSR activities. Air Asia responded that Air Asia has benefited for CSR even though many CSR activities is performed not for its publicity but definitely Air Asia has benefited. Air Asia has benefited both internally and externally. Internally employees have participated in many CSR activities and eventually have contributed for new CSR activities. Externally, Air Asia has been a recognized Airline when it becomes choices of many Malaysian.

When questions about history and background to CSR in their company and how it has developed over the years and what lessons they have learned Malaysia Airlines (MAS) responded that there are many lesson learned by MAS but the most two crucial lessons are in understanding the commercial value and developing new strategies. Since MAS is Government Linked Company (GLC) many things have created new perspective for MAS to perform. Realizing government objectives in helping to promote has been critical for MAS. Being in the business for past 62 years does provided many challenges and experience. Experiencing a short down fall in business and reinstate of new CEO has created new business opportunities and business realization. CSR has developed in long term perspective and now more matured CSR can be practice such as addressing the issue of carbon foot print.

Where else Air Asia responded that basically Air Asia is a product of CSR as its flagship to make air transport affordable for everyone. Business plan was developed on the perspective that air travel should not be very expensive. Being in business less than 10 years, Air Asia has grown rigorously to be a major Airline company not only in Malaysia but world. Interestingly Air Asia has extracted exclusiveness from air travel making it for everyone.

When questions of financial performance asked Malaysia Airlines (MAS) responded that being financially sound is very important as MAS had experienced financial difficulties and it has disrupted many business operations including some CSR activities, it is necessary for MAS to be financially stable. Basically business turnaround plan has created new dimension and brought new perspective for the company. Yes, CSR activities might be stopped or rather it will be minimized or MAS will focus on CSR activities money is not the instrumental

factor but like employee's participation. However, Air Asia responded that, yes, money is still important but Air Asia will still focus on voluntary efforts. Air Asia will not stop any CSR activities there will always something to be done. On the respond of relationship with customers Malaysia Airlines (MAS) responded that basically there is an impact. CSR mainly related to social obligation and MAS has created many activities related to customers so basically it is possible for MAS and customers to have better relationship. The concept of Malaysian Hospitality, even though it is a business strategy but it is CSR according to MAS business turnaround plan. Where else Air Asia responded that definitely, Air Asia business is all about customers. Engaging in CSR activities will increase the relationship with customers. Air Asia has good relationship with the customers because it does cheap fares and flies to many places. There is already good relationship established in business sense but CSR helped to get more intimacy relationship with the customers.

On the fact how far shareholders and owners motivation being a factor Malaysia Airlines (MAS) responded yes basically business turnaround plan which contains code of ethics, service to customers and profit and loss focus has layout the plan to help the society. Being a government linked company allows MAS to help the society and silver book have provided the guidelines for MAS. There is not much pressure from shareholders but they are supportive of Malaysia Airlines CSR activities. Air Asia mentioned; yes, Dato' Tony Fernandez being the protagonist, always has been very keen in helping others and having a business model so closely related to the customers have helped Air Asia to perform better in CSR activities. Definitely, shareholders and CEO of the company have always supported CSR activities and even participated in many of the activities.

On the issue brand image and reputation, Malaysia Airlines (MAS) responded that basically it is not the driving force but by actively involved in CSR activities allowed MAS to gain some brand image and reputation among Malaysian and international recognition. It is important for the company to gain some brand image and reputation but it is not the main reason why MAS practices CSR but it is MAS pure intention to contribute to the society. Air Asia responded that not solely for the brand image or reputation but do agree Air Asia is getting some recognition from the CSR activities. Air Asia really focuses on brand image and reputation as Air Asia has a team people working on its branding but Air Asia does not believe CSR is practice for brand image and reputation.

When asked if cultural issue is a factor influencing CSR Malaysia Airlines (MAS) responded the concept of Malaysian Hospitality championed by MAS is a part of its CSR because as a Malaysia airline it is MAS obligation to promote the culture of Malaysia to the world. The best to

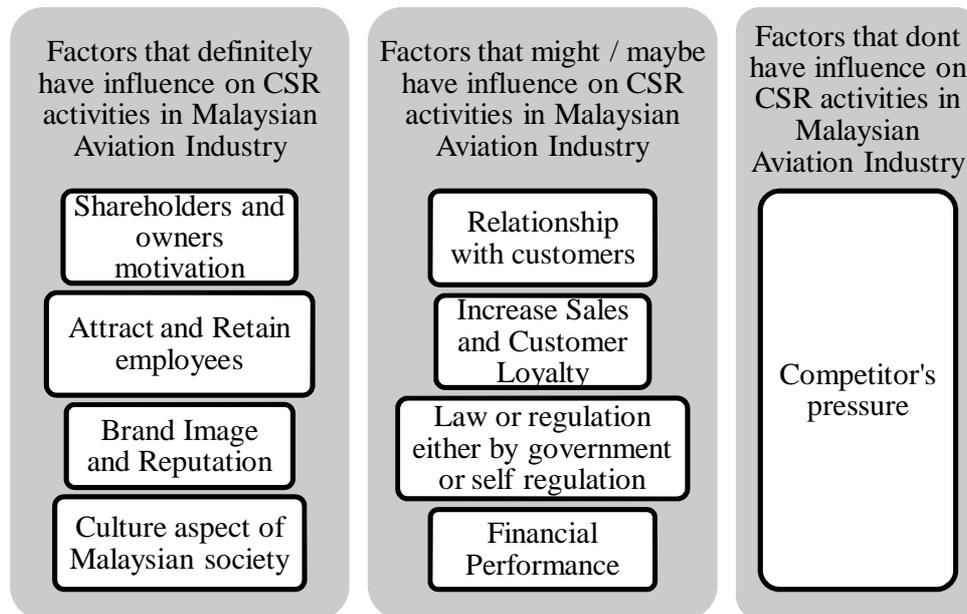
do it is to attach the culture with business. Without doubt Malaysian cultures have been incorporated in MAS's CSR activities and it is not only Malaysia but it is always promoted internationally. Where else Air Asia responded that; yes, Dato Tony Fernandez being the catalyst and Malaysian, Dato Tony Fernandez always has always been passionate with CSR activities.

When quires on the competitor's pressure being a factor Malaysia Airlines (MAS) responded that definitely no, because there is not much of competition in countries like Malaysia. Acknowledging another company (Air Asia), MAS business model varies and it is more focused. CSR activities in MAS were never conducted because of competition. MAS' being a typical GLC it is necessary for MAS to be high performing company and highly responsible company. Air Asia responded that, No. Air Asia does it because Air Asia believes in CSR and Air Asia does not compete with another airline (MAS). It is Air Asia passion and motivation to help others.

As for increasing sales and customer loyalty being a factor Malaysia Airlines (MAS) responded that Yes but it is not directed related. It is closely related to brand image and reputation. MAS believe sales are closely related to prices and customer loyalty on service that MAS provide. CSR activities does not help much on increasing the sales or it might help in customer loyalty as MAS do have program such as subset carbon footprint and Malaysian Hospitality. Air Asia responded that yes but not much as Air Asia program is to benefited the society rather than increasing profit and but our competitive structure is just enough to increase sales and customer loyalty. Air Asia as a budget airline certainly has its advantages in sales and customer loyalty.

On issue of attracting and retaining employees being a factor, Malaysia Airlines (MAS) responded Yes it is a factor but not solely our purpose of CSR but things that are done by MAS to its employee do attract MAS to job seekers choice. Many employees and job seekers are really attracted to MAS because it is the image of national carrier, past achievement and new business turnaround plan. Air Asia responded yes, the employee contribution to CSR activities is very significant and employees have the initiative to express CSR activities. Active contributions in helping others have provided satisfaction for the employee to stay with Air Asia. It could be a reason for job seekers to choose Air Asia as their place to work.

On the issue on law and self regulation being a factor Malaysia Airlines (MAS) responded; yes, IATA and Bursa Malaysia is closely monitoring MAS CSR activities. Nevertheless, MAS has its own code of ethics to protect the organization. As a government linked company, MAS has to fulfil the responsibility of the government and at times to compliance with government initiative. It is worth of mentioning that MAS will perform CSR activities despite IATA or Bursa Malaysia encouragement. Where else Air Asia responded Yes, Air Asia do acknowledges



the effort taken by Bursa Malaysia and but it is not deciding factor on CSR activities. Air Asia will perform CSR because Air Asia business model is based on CSR.

In order to find the real factor influencing CSR activities repeat measures design was used as the same questions were asked in four different parts. Even though the questions are similar but it is arranged in way which allows the respondents to think and answer the questions.

According to Wikipedia (2009) repeated measure should conduct an experiment when few participants are available "the repeated measure design reduces the variance of estimates of treatment-effects, allowing statistical inference to be made with fewer subjects." As mentioned earlier there are four parts modulated in order to find the factors influencing CSR activities. Each part has a significant function to which allows the researcher to find out the real factors that motivate CSR activities. Basically each part consists of the repeated questions in which but arranged in a different sequence. The first part is consolidation of factors, part two is individual questions on the factor, part three is level of acquiescence (agree-disagree) and part four is the interview session. The intention of the first part is to find out the quick reaction of the respondents on the factors which influence CSR activities, the aim of second part is questionnaire is to breakdown the factors into individual questions allowing the respondents to think and select the factors. The target of third part is to find out the level of agree-disagree to the factors influencing CSR activities. The fourth part is the interview session in which the purpose of the interview is to gain deeper understanding on the factors influencing CSR and responses to the questionnaire.

Based on the four parts of test and test results the conclusion for the result can be divided into three components. The first component would be a definite factor; second component would be "maybe/might" (inconclusive) factor and the third part would not a factor. The conclusion of the results is presented in Figure 3.

## DISCUSSION

Basically the result indicates there is positive relationship between brand image as a factor influencing CSR activities in Malaysian Aviation Industry. The other two factors; relationship with customer and sales and customer loyalty might have influence on these Airlines to perform CSR activities. Brand Image is viewed as an important factor because as an airline company, the obligation of being the pride on the nation depends on the airlines companies. Involving in CSR activities allows both company to enhance their brand image hence, helping to prosper the name of the country. This result is consistent with research conducted with Sen and Bhattachary (2001) found that consumers' were more sensitive to negative CSR information than positive CSR information when evaluating the company. More specifically, all consumers reacted negatively to negative CSR information, whereas only those most supportive of the CSR issues reacted positively to positive CSR information. Furthermore, this suggests that a company's CSR effort can affect consumers' intentions to purchase its product both directly and indirectly.

This factor has positive relationship with the factor influencing CSR activities as both airlines have mentioned

that this is one of the main reasons why they have been performing CSR activities. Since MAS is government linked company, it has been connecting the nation with its services flying to places which far capital and has been the main factor connecting Malaysia with outer world. Significantly, Dato Tony Fernandez the CEO of Air Asia has played a significant part motivating CSR activities. Air Asia has become dominant budget airlines due to its rapid business model and CSR activities. These findings at least was consistent with Joyner et al.(2002) whom contended that people believe businesses are amoral, when in fact they generally embrace the values of ethics in doing business. They cited several factors that serve to legitimize their position and one of the factors is society, which expects moral behaviour of the business to be translated to good behaviour to the society. This result is consistent with Joyner et al. (2003) which concluded that people believe business are amoral, when in fact they generally embrace the values of ethics in doing business.

According to results of this research, it is safe to say that financial performance might influence CSR activities. Both airlines have agreed that financial performance is a factor but it is not the ultimate factor influencing CSR activities. Both of the airlines agreed that, they might continue CSR activities in moderate scale even though their company is not financial sound. Basically, there few researches conducted to find out the relationship with financial performance and CSR activities. Apparently, the results of these researches where a mix, some find it there is a positive correlation where else other find it there is no linkage between both variable.

The result of research also indicated that financial performance might have some influences on influencing CSR activities. This result is consistent with the past research conducted on relationship between financial performance and CSR activities. The results for financial performance were a mix in which in the study conducted by Aupperle et al. (1985), tested the association between social involvement and profitability and reported it as a positive correlation. Meanwhile Abbott and Monsen (1979) stated that there is no conclusive evidence that there is a clear linkage in any direction between corporate social activities and profitability which in their research, for example, appears convincing that CSR is inversely linked with profitability in the short run. So, it is proven that financial performance could be plausible factor.

To attract and retain employee is one of the most consistent factor influencing CSR as both airlines agreed that CSR activities have attracted more people to join the company and active involvement of current employees on CSR activities have retain the employee. Both airlines mentioned the employees are happy and satisfied working in the company because they are personally satisfied helping others. Hearing positive news about the company's CSR activities, also attract many people to

join the company.

This finding is consistent with Ogrizek (2001), business leaders are starting to acknowledge some of the market benefits and competitive advantages for companies who put into place a comprehensive CSR policy. This means that a business with a strong stance in corporate responsibility will attract top talent and reputation.

This is the only factor that has negative relationship with the factors influencing CSR activities. As the researcher was enthusiast believing competitor's pressure is predominant factor but results indicated a totally opposite result. Both airlines have totally denied that their CSR activities are influenced by competitor's pressure as they are performing because the wanted to perform and not to compete. Basically, it is a surprising factor because there is a high expectation for this factor to have positive relationship but this research indicates that there is no positive relationship between competitor's pressure and CSR activities.

This is not inconsistent with research conducted by MacGillivray et al. (2007). One of the main reasons why there is no competitor's pressure is because of the involvement of government as the "behavior" of these airlines companies, which is monitored by government of Malaysia. MAS is predominantly operated by the government where else Air Asia routes are often monitored by government. There were few competitions between both airlines but it was resolved by the government hence eliminating or minimizing the competition factor. This is the reason why competitor's pressure is not a factor. Other than that, there are only two airlines competing in Malaysia, in which the competitive level is low. The options for travelers are limited compared to other countries, for example, Indonesia which has 10 airlines companies. This could be the reason why these airlines have rated competitor's pressure as not factor.

This factor has turn to be a factor that might have influence but it is still factor. The rules and regulation is to ensure that nothing wrong happens but it is not a factor that motivates or push factor in performing CSR activities. This finding was consistent with the findings of Johns (2001), whom mentioned that the growing CSR trend and its popularity have arisen as a result of the pressure that the NGOs have on companies. NGOs want companies to be "good citizens", which means supporting the NGOs objectives. NGOs often apply pressure on companies not behaving ethically correct but they are also often involved in applying pressure on companies not behaving legally correct.

This factor was included as an additional factor as it is not proven that culture aspect Malaysian society might influence CSR but this factor has a positive relationship with factors influencing CSR activities in aviation industry. Both airlines acknowledged that the cultural aspect of Malaysia society has been a factor, and this factor also has been used to help other countries, especially in

neighboring countries where some CSR activities are performed. Thus, the Malaysia culture is a factor for these airlines companies to perform CSR activities.

### IMPLICATIONS OF THE RESEARCH

The first implication was to establish ethics in Malaysian aviation industry. Significantly, ethics do exist in Malaysian aviation industry since it is exhibit in both companies. Both companies believe that ethics is important; soulfully ethics is engine running these organizations. Without doubt ethics is important or rather it is critical for these airlines company to perform CSR. Even though these organization does not practically understand the concept of ethics but what they current performing in CSR activities, daily operation and business processes exhibit the existing of ethics. Ethics do exist and it is fundamental of every good deeds. The factor influencing CSR activities are very much correlated with the benefit of CSR, but it is not reason why the airlines are performing CSR. Deep investigation might be needed but sometimes the benefit from CSR activities is undeniable as it is comes with the CSR activities. The future of Malaysian aviation is well secured as there are good practices performed by these companies.

This research has indicated that fundamental of CSR activities in aviation industry are important and well secured. This research indicates a shift from merely sustaining the financial bottom line to balancing the economic, environmental and social bottom lines (Elkington, 1999; 2004). However, there is a need to raise awareness of CSR and encourage more widespread involvement in CSR initiatives across the Malaysian companies.

### LIMITATIONS OF RESEARCH

The limitation was not very significant to affect the reliability of the study because the research was descriptive in nature. One of the main limitations of this research is actually the interview session, as the interviews were not conducted the with CEO of the company and secondly, the time was limited for each interview session as it was conducted in less than an hour. If the interview is conducted longer more vital information can be obtained. If the interviews were conducted with CEO of the organization, it will be interesting to understand the direction of the organization in commitment with CSR. Maybe further research to be conducted with CSR should include the CEO's idea and perspective. Nevertheless, this research should be conducted and result should be analyzed in more scientific manner. This research had been a fundamental and basic research to understand the factors influence CSR activities.

### Conclusion

Overall this research has provided a basic understanding on the factors influencing CSR activities in Malaysian Aviation Industry. Even though there are four factors which have positive relationship, four plausible factors and one factor with negative relationship, it is safe to mention this research has meet it is objective that is finding out the factors influencing CSR activities. This research has successfully established the factors influencing CSR activities. As the limitation and future research suggestion can be considered in future the research is extended, the basic of the research can be obtained from this research. As consumer some change in mindset is needed for betterment of CSR in the future. With Bursa Malaysia and Security Commission of Malaysia the future of CSR in overall industry is excellent and introduction of Islamic values in business, CSR can be at the driving force.

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