Corporate Social Responsibility in Practice: The Case of Textile, Knitting and Garment Industries in Malaysia

Vimala Govindasamy* and Kalyani Suresh
Department of Mass Communication, Amrita Vishwa Vidyapeetham University, Coimbatore, 641112, Tamil Nadu, India

ABSTRACT
Malaysia is becoming an increasingly captivating market for international textile retailers. Implementation of Corporate Social Responsibility in textile and apparel industries in Malaysia is necessary because the industry has diversified itself to value-chain, from an original equipment manufacturer (OEM) producer to own brand and design supplier. There are not many studies found on approaches to implementation, drivers, and barriers for Corporate Social Responsibility in the textile sector. The objective of this paper is to examine and analyze approaches, initiatives, adoption, drivers and barriers to CSR implementation in textile and apparel industries in Malaysia. Through this study, the paper aims to understand the perspectives of the CSR practice in Malaysia and advance potential areas that could assist textile and apparel firm management to understand the hurdles preventing CSR implementation. The results of the study indicate that CSR practices among the textile, knitting and garment industry are mostly based on the stakeholders’ model widely seen in the Western world. This study further reports the potential challenges of CSR practices in these industries.

Keywords: Barriers, Corporate Social Responsibility, drivers, Malaysia, textile

INTRODUCTION
With the current recognition for inculcating Corporate Social Responsibility (CSR) practices by the Malaysian textile and apparel fraternity, the focus has shifted from using CSR as a tool for profit for the organization’s shareholders to utilizing it
as a lever for societal and organizational development. Handy (2013) reports that the Malaysian Knitting Manufacturers Association (MKMA) states that there are challenges in exercising the CSR practices in the textile and apparel industry, nevertheless it is inspired to take on the challenges and incorporate CSR into their businesses. The textile and apparel industry is determined to accord social responsibility initiatives by providing good environment for workers, fair treatment of employees and job applicants, enforcing ethical relationships with shareholders and suppliers, reducing human rights abuses, resolving social problems, supporting community development initiative, empowering women and other groups, reducing human rights and lastly supporting government policies.

In a nutshell, the concept of CSR is gaining popularity in the Malaysian industry. More and more company leaders are becoming involved of the CSR and it is believed that CSR will be a key factor to generate growth of business and sustainable survival of the industry at large (Handy, 2013). A look into the origin, development and current state of CSR practices in Malaysia would add a more precise context of the problem under study.

Corporate Social Responsibility in Malaysia

Authors (Amran & Devi, 2007; Amran & Nejati, 2014; Nejati & Amran, 2009) have suggested that during the early stages of CSR in Malaysia, active communication about CSR did not match awareness about it and also about the lack of clear conceptualization and narrow approach to CSR. It is believed that CSR practices were introduced to Malaysia through multinational organizations (Amran, Zain, Sulaiman, Sarker, & Ooi, 2013). Post-independence, Malaysia was dependent on foreign investment and joined the CSR fad. This was a major driver for adoption of CSR in Malaysia (Amran & Devi, 2008).

A 2012 report by UNICEF Malaysia on the Malaysian government’s implementation of Vision 2020 outlines four CSR related strategic challenges of establishing a society that was: (i) a morally attuned and ethical (ii) benevolent with a culture of compassion (iii) economically fair and (iv) competitive and flourishing (UNICEF, 2012). CSR policies and practices in Malaysia have shown tremendous participation from various sectors which include the Malaysian government, Bursa Malaysia, and Companies Commission of Malaysia to create awareness and encourage companies to promote CSR in their business community and environment to uplift the status of CSR (UNICEF, 2012).

Malaysia is a multi-ethnic and multicultural, with most people being Malay, but there are also Chinese and Indians. Muslim is the majority in the country and their main form of giving is the Zakat during their festival celebration whereas the Chinese and Indians communities have their ethnicity-based contributions (Sharma, 2013).

In the Bahasa Malaysia language, the national language of Malaysia,
‘philanthropy’ interprets ‘sukarela’ which merges two words, ‘suka’ meaning favourable and affection and ‘rela’ meaning voluntary or extending. Whereas, ‘gotong-royong’, is practiced amongst the Malay culture since pre-colonial times. This concept of ‘gotong-royong’ is basically among the ‘kampung’ village folks, a village spirit working together for a good cause or gesture - very much related to communal work e.g. safeguarding the community within the housing areas during night time on a volunteering basis, preparing meals during festival, wedding ceremonies and other religious activities (Sharma, 2013).

The Malaysian government and other industry groups like the Bursa Malaysia (the country’s stock exchange) are the driving force for the CSR agenda for encouraging the Malaysian Private Linked Companies (PLCs) to inculcate and integrate sustainability practices into the business strategies (Sharma, 2013), such as environment, community, employee and stakeholder protection. The term ‘corporate social responsibility’ and ‘sustainable economic activity’ are generally new in the last decade but of recent several organizations have CSR programs or activities have become mandatory. In September 2006, Bursa Malaysia launched an implementation and reporting framework for CSR activities by listed companies that stressed on voluntary disclosure. But it was reported that the practice of CSR had encountered a lot challenges in its approaches and drivers. A more vivid understanding of the barriers and drivers will be helpful in designing more appropriate strategies for the better impacts of CSR.

**Theoretical Approaches**

Academic literature (Kanji & Agarwal, 2016; Kumar, Murphy, & Balsari, 2001) positions four major approaches to CSR (i) the ethical model that champions voluntary public welfare’ activities as a social commitment towards CSR, while fulfilling economic obligations (ii) the Statist model, where the government plays a major role in determining CSR responsibilities that have to be fulfilled using profits generated by the firms after tax deduction (iii) the liberal model ‘where the onus is on private owners to fulfill CSR responsibilities through taxes from their firms, acting in accordance with the laws and (iv) the stakeholder model where stakeholder (employees, the social community, customers etc.) needs are paramount and the firms’ time and resources are utilized for redressal of issues concerning them (trust, satisfaction etc.).

**Textile Industries and CSR**

Academic literature abounds in conceptualizing the role of the textile and clothing industry in developing countries (Abreu, 2015) and its contribution towards economic progress through providing employment opportunities, and reduction of social exclusion (Zu, 2009). CSR and its relevance to the textile industry supply chain- from suppliers to end users have also been mapped (Gupta & Hodges, 2012).
Ndela (2015) and Abreu (2015) posited that textile companies could be CSR driven through identified socially responsible approaches in their day-to-day operations with maximization of safety in working environment, reduction of damage to the natural environment, proper waste handling methods, sustaining local communities and a good stakeholder relationship.

**Textile Industry in Malaysia and CSR Practices**

Way back in the 1980s’, Malaysia’s apparel industry, stood as a contract manufacturer of high-end brands such as Giordano, Dockers, Nordstrom, Tori Richard, Polo, Tommy Hilfiger, Puma, DKNY, Victoria Secret, Macy’s, Beverly Hills, Disney and many others (MATRADE, 2016). Based on its past experiences and automated manufacturing processes, the development of the textile and apparel industry diversified itself to value-chain, from an original equipment manufacturer (OEM) producer to own brand and design supplier as well as capitalizing on expertise gained during this transition (Crinis, 2012).

The multinational organizations comprise indigenously owned companies and foreign companies having a considerable presence abroad and controlled/owned by Malaysian citizens. Its objective is to maximize profits, coaxing on international business partnership. Small and medium-sized Enterprises play an essential role in the Malaysian economy development and have contributed substantially to the growth of Malaysia. These sectors boost exports, enhance human capital and assist to capitalize on the digital economy (The Star, 2016).

A list of drivers and barriers to CSR in academic literature specific across Malaysian Industries include management commitment and employee involvement, competitive advantage, reputation and risk management, organization size, purchasing, and supply. The external drivers are government, customers, media organizations and technology in sustainable supply chain practices (Tay, Rahman, Aziz, & Sidek, 2015); encourage companies to promote CSR in their business community and environment (UNICEF, 2012); skill training and awareness programs (Tay et al., 2015). The barriers include resources cost, management committee, government policies, technology, customer awareness, media organization, and lack of training (Tay et al., 2015).

These barriers and drivers are to be taken into serious consideration to avoid shortfalls in the implementation level. CSR activities in Malaysia are widespread in almost all the industries. Textile industry forms one of the upcoming industries in Malaysia. A number of socio-economic and political factors gave a momentum for the rise of textile and apparel industry in Malaysia.

The literature on CSR practice in the field of textile and apparel industries are mainly from countries like India, China and from the West (Gunay & Gunay 2009; Księżak, 2016; Nasreen & Rao, 2014;
Oldopp, 2015; SECO, 2009; Van Yperen, 2006; Zhu & Tan, 2008).

There are very few attempts to showcase the textile industries of Malaysia in connection with the CSR practices. Mugiati, Kumar, Muneer, Hishan and Ramakrishnan (2016) indicated the problems of CSR reporting in India and Malaysia in the context of the textile industry. Ramakrishnan, Hishan and Kanjanapathy (2016) also showed similar trends of reporting in CSR. Both of these studies found poor reporting of CSR activities by the Malaysian textile industries. There are very limited pieces of literature reported yet about the CSR practices and potential challenges of Malaysian textile industries. This remains a very relevant area of research as the significant role textile industry plays in the economy of Malaysia and business collaborations it could bring.

Considering the context of lack of empirical pieces of evidence, this study looks at analyzing the CSR initiatives among Malaysian textile firms, the tendency among these firms to follow the statist, liberal, ethical or stakeholder approach to CSR, and the motivators and hurdles to CSR implementation.

Many multinational companies are disclosing their CSR initiatives or practices either through websites, annual reports and special CSR edition. Malaysian companies have adopted Western-centric CSR practices and over the years CSR principles are adapted to suit the current scenario. This paper is to develop the knowledge based of CSR adoption through analyzing the CSR practices in Malaysian textile companies.

**METHODS**

Bilingual questionnaires (English and Bahasa Malaysia) were sent out to top-level managers involved in CSR operations in textile and apparel companies, listed in the Malaysian External Trade Development Corporation, Apparel, Garment and Accessories Online Directory (MATRADE), 2016 and Malaysian Textile Manufacturers Association (MTMA Textile Directory, 2014) Textile Directory 2014/15. Data was collected in the months of September to October 2016. The samples were drawn from the Online MATRADE Directory, 2016 as well as from MTMA Textile Directory (2014). MATRADE, The National Trade Promotion Agency of Malaysia, the main role is to extend its services to Malaysian companies to furnish them with skills and knowledge and how to encounter the global arena.

In all 26 textile companies responded. Following the definition of SMEs’ by the SME Corp. Malaysia (2013), the organization having five to 200 employees were taken as SMEs while those having above 200 employees were classified as multi-national enterprises MNEs (SME Corp. Malaysia, 2013). Eight MNEs and eighteen SMEs were part of the survey. The respondents were involved directly with the CSR activities of the company, (at the executive, manager, senior manager or director levels).

Questionnaire (adopted from Arevalo & Aravind, 2011) contained four components i) General approach to initiating CSR (ii) Approach to CSR adoption (iii) Motivation...
(drivers) for pursuing CSR and iv) barriers/obstacles for pursuing CSR. The scale items ranged from (1) “to a minimum extent” to (7) “to a great extent”.

Figures 1 to 4 reflect the respondents’ responses to the top choices regarding their approaches to CSR and the motivations and barriers. The horizontal axis details values ranging from (1) “to a minimum extent” to (7) “to a great extent”.

RESULTS

A total of 26 textile, knitting and garment industries operating in Malaysia participated in the study. Among these 18 were industries falls under the SMEs and remaining 8 were MNCs. Table 1 lists out the companies which participated in this survey. The researchers were able to get a diversified data in the dimension of geographical location and area of its operation. The representing officials who had filled the questionnaire were the senior officials looking the CSR activities of the firm. Among the 26 managerial employees participated in the study, 14 were females and 12 were males. They represented different age group with the majority from 42-50 age group (30%).

The most popular approach to initiating CSR among textile firms was a stakeholder (Figure 1). Based on the top seven choices, three outlined corporate affinity to stakeholder interest, two were statist modelled, and one was liberal and one ethical. These findings correlated with their CSR adoption (as shown in Figure 2), with the stakeholder and statist approaches being the most popular, followed by liberal and last, ethical. This is an indication that underlines the growing importance of stakeholders in adopting CSR activities.

The Friedmanian view of business was of it having only one social responsibility - to create a monetary value for itself by utilization of its resources (Carson, 1993).

Figure 3 pertains to data regarding Motivations or Drivers for implementation of CSR in Malaysian textile firms reveals that the top four reasons are related to business and profit enhancement such as increasing sales, satisfying employees, satisfying major customers and brand reputation. This finding is consistent with Baron, Harjoto, and Jo (2009) who found that a higher Corporate Social performance was associated with higher corporate financial health in consumer industries, with the opposite being true for industrial industries. Adhering to government regulation, gaining market access and leadership in CSR follow close behind. The Grant Thornton International Business Report (Raleigh, 2014) also mentions building a brand reputation among prospective stakeholders as being a key driver for CSR globally. The drivers of CSR activities indicate how industries are utilizing CSR as a strategy for business promotion and building reputation. The sustainability of the business undertaking can be potentially contributed by the CSR activities.

Figure 4 indicates that the most significant barriers were lack of resources - in terms of knowledge, information, finance, and training. Management support
<table>
<thead>
<tr>
<th>Business type</th>
<th>Company</th>
<th>Nature of Business</th>
<th>Respondent</th>
<th>Head office</th>
</tr>
</thead>
<tbody>
<tr>
<td>MNE</td>
<td>Bonia</td>
<td>Leather Goods</td>
<td>Director</td>
<td>Kuala Lumpur</td>
</tr>
<tr>
<td>3.</td>
<td>Jerasia Capital Berhad</td>
<td>Knitted Apparel</td>
<td>Communications Manager</td>
<td>Johor</td>
</tr>
<tr>
<td>7.</td>
<td>Pen Apparel Sdn. Bhd.</td>
<td>Apparel</td>
<td>Staff HCM Director</td>
<td>Penang</td>
</tr>
<tr>
<td>SME</td>
<td>American &amp; Efird (Malaysia) Sdn. Bhd.</td>
<td>Accessories (Sewing thread)</td>
<td>Finance &amp; Admin Manager</td>
<td>Johor</td>
</tr>
<tr>
<td>9.</td>
<td>Abharuddin Aziz Design</td>
<td>Apparel</td>
<td>Entrepreneur</td>
<td>Kuala Lumpur</td>
</tr>
<tr>
<td>11.</td>
<td>Coats Thread (Malaysia) Sdn. Bhd</td>
<td>Accessories (Sewing thread)</td>
<td>HR &amp; Admin Manager</td>
<td>Melaka</td>
</tr>
<tr>
<td>12.</td>
<td>Carven Ong Couture</td>
<td>Apparel</td>
<td>Creative Director</td>
<td>Kuala Lumpur</td>
</tr>
<tr>
<td>Business type</td>
<td>Company</td>
<td>Nature of Business</td>
<td>Respondent</td>
<td>Head office</td>
</tr>
<tr>
<td>---------------</td>
<td>--------------------------------</td>
<td>--------------------</td>
<td>---------------------------------</td>
<td>-------------</td>
</tr>
<tr>
<td>SME</td>
<td>House of Doll Fashion</td>
<td>Apparel</td>
<td>Fashion Designer</td>
<td>Kuala Lumpur</td>
</tr>
<tr>
<td></td>
<td>Mellooi Creation Sdn. Bhd.</td>
<td>Fashion</td>
<td>Assistant Designer</td>
<td>Kuala Lumpur</td>
</tr>
<tr>
<td></td>
<td>Nor Arfa Holdings Sdn. Bhd.</td>
<td>Textile</td>
<td>Marketing Officer</td>
<td>Terengganu</td>
</tr>
<tr>
<td></td>
<td>Nyok Lan Garments Sdn. Bhd.</td>
<td>Undergarment</td>
<td>Human Resources Executive</td>
<td>Perak</td>
</tr>
<tr>
<td></td>
<td>SHK Smart Sdn. Bhd.</td>
<td>Textile</td>
<td>Marketing Manager</td>
<td>Kuala Lumpur</td>
</tr>
<tr>
<td></td>
<td>Sara J Global Sdn Bhd</td>
<td>Apparel</td>
<td>Fashion Designer</td>
<td>Selangor</td>
</tr>
<tr>
<td></td>
<td>Tanoti Sdn. Bhd.</td>
<td>Hand-woven Textile</td>
<td>Director</td>
<td>Sarawak</td>
</tr>
<tr>
<td></td>
<td>Tan Chong Apparels Manufacturer Sdn. Bhd.</td>
<td>Garment</td>
<td>Senior Associate, HR</td>
<td>Perak</td>
</tr>
<tr>
<td></td>
<td>Xilouette Manufacturer Sdn. Bhd.</td>
<td>Undergarments</td>
<td>Senior Manager</td>
<td>Kuala Lumpur</td>
</tr>
<tr>
<td></td>
<td>YKK (Malaysia) Sdn. Bhd.</td>
<td>Accessories – (Zipper)</td>
<td>Senior Sales &amp; Marketing Manager</td>
<td>Johor</td>
</tr>
</tbody>
</table>
10. Solving social problems
9. Supporting community development
8. Increasing community’s economic stability
7. Enforcing ethical relations with shareholders
6. Empowering women and other groups
5. Reduce human rights abuses
4. Support government policies
3. Enforcing ethical relations with suppliers
2. Not harming the environment
1. Fair treatments all employees and job applicants

*Figure 1. General approach to initiating CSR*

10. Customer satisfaction
9. Sales maximization
8. Employee satisfaction
7. Protecting Brand reputation
6. Market access
5. Fulfilling government requirements
4. Leadership in CSR
3. Top management belief in CSR
2. Correct thing to do
1. According to company’s ethical orientation

*Figure 3. Motivations or Drivers for implementation of CSR*

14. Lack of support from top management
13. Lack of support from middle management
12. No significant benefits from implementation
11. Implementation too expensive
10. More important priorities for the company
9. Implementation too complex
8. Implementation too time consuming
7. Lack of knowledge about CSR implementation
6. Inadequate training from management for implementation
5. Lack of worker level skill/education for CSR implementation
4. Lack of knowledge about CSR practices
3. Difficulty in getting information on CSR implementation
2. Insufficient financial resources
1. Lack of training for CSR knowledge

*Figure 4. Barriers or Obstacles to pursuing CSR*
was found to be an insignificant barrier. Put together, these findings indicate that even though top management is not a deterrent to CSR, there is lack of allocation of finance for implementation, maybe due to lower belief of top management in CSR (as shown in Figure 3) and also due to the fact that most of Malaysia’s CSR is still conducted at the philanthropy stage and has not actualized into a strategic implementation stage. (Abdullah, Mohandes, Hamid, & Singh, 2016).

The complexity of CSR and implementation difficulties were medium level barriers. These could also be the main reason for lack of financial support. As delineated by the Grant Thornton International Business Report (Raleigh, 2014), Malaysia figures in the third position of top ten countries that cite stakeholder demand for CSR implementation as a key driver. Findings of this study tentatively point towards a symbolic/theoretical adoption of CSR practices for a so-called halo effect (whereby its action of symbolic adoption earns it greater consideration from its stakeholders and the community), without practical implementation, to stave off the competition with better ethical credentials.

It is clear that strategic implementation of CSR activities is yet to be developed in the context of Malaysia and this is a core reason that most of the industries are still in the initial phases of its implementation. A proper budgeting and financing for the CSR activities have to be materialized to make wider impacts and prevent barriers. Also, lack of knowledge of CSR potential directly leads to lack of investment in training for CSR awareness and knowledge.

**ANALYSIS OF FINDINGS**

The study finds a strong link between reasons for the implementation of CSR and its approaches among Malaysian apparel firms. These firms adopt CSR primarily due to stakeholder and government pressure. The main drivers for CSR are thus business promotion and building reputation in the eyes of the stakeholders and government. As CSR adoption is only a form of lip service or points towards a halo effect, the lack of interest to sustained awareness and adoption fails due to lack of resources - knowledge, information, finance, and training.

The study finds Management support to be an insignificant barrier. What can be the reasons then for lack of allocation of resources for CSR if the management was not averse to its adoption? The answer lies in its primarily stakeholder/statist approach to CSR. The Malaysian Socio-economic landscape is different from that of the West. Its strong Asian rootedness sets it apart from its Western counterparts, in terms of CSR as innate to its culture and values. Yet, in the face of global competition and in keeping with the tenets of Vision 2020 in becoming an export-focused economy, there has been a concerted effort by Malaysian apparel firms to reflect global (dominated by Western) trends in business strategies, which focus on Freidmanistic view or that of a social contract or an instrumental approach.
It is clear that strategic implementation of CSR activities is yet to be developed in the context of Malaysia and this is a core reason that most of the industries are still in the initial phases of its implementation. The complexity of CSR and implementation difficulties is a major challenge. A proper budgeting and financing for the CSR activities have to be materialized to make wider impacts and prevent barriers. Also, lack of knowledge of CSR potential directly leads to lack of investment in training for CSR awareness and knowledge. The need of the hour is to adopt a more realistic CSR focus, which would best suit a non-Western-centric approach, so as ensure that compatibility of CSR initiatives with its socio-economic setting.

LIMITATIONS AND CONCLUSION

This study examined the state of CSR within the Malaysian textile, knitting and garment industry. Findings reveal that similar patterns of adoption of CSR as in Western countries where the stakeholder approach is dominant. However, the fact that CSR activities in Malaysia are seasonal (Zulkifli & Amran, 2006) coupled with its shorter history of adoption does not allow us to generalize this study’s result. Also, this study has a small sample size and is limited to textile firms.

Lack of resources (information, training and financial) for CSR was found to be a major obstacle in this study. This finding could be related to a skew towards SMEs in the study sample. Size of enterprise has been identified in the academic literature as a barrier for CSR implementation (Font, Garay, & Jones, 2014; Hung, 2011; Moyeen & Courvisanos, 2012), with SMEs facing major constraints in financial, training and knowledge capacities of CSR. Also, because the basic terminology for CSR is broad and vague, lack of understanding and shortage of information about CSR is challenging and slows down effective implementation (Ahmed & Rahim, 2005; Jenkins, 2004).

In terms of lack of financial resources for CSR implementation, though Raleigh (2014) in the Grant Thornton International Business Report reported that MNEs in Malaysia were actively involved in philanthropic activity, a 2016 study on CSR implementation challenges faced by SME food retail owners in Malaysia, reported that individuals do not donate generously towards CSR.

The study advances the current knowledge base of CSR in the context of textile and apparel industries in Malaysia. The understandings on the approaches adopted and motives of the CSR activities would be helpful in designing further CSR strategies for Malaysia. Some more sensitive CSR policies contextual to the socio-economic scenario can be initiated and recommended. The indication of the barriers will be helpful in designing better strategies for the implementation of CSR in the textile industry.

Different companies may have unique programs for CSR. In this paper, CSR practices in Malaysian textile and apparel companies are categorized or segmented to several aspects of CSR, including matters
on the community, consumer, employees, shareholders, environment and likewise (Yao, Wang, & Song, 2011). To sum up, based on findings, CSR practices in textile and apparel industries in Malaysia defer according to the targeted audiences related to shareholders responsibility, employee relations, community relations, product and consumer responsibility, environmental responsibility. Nevertheless, it is essential to implement CSR practices strategically and have a special task force or department to execute these implementations.

Majority of the Malaysian textile and apparel companies are not aware the CSR practices and its importance (Ramakrishnan et al., 2016). Most of the companies communicate through their website particular about their products/brand unfortunately very little attention or focus given to the disclosure and practices of CSR because they fail to realize the importance of communicating with its stakeholders (Ramakrishnan et al., 2016).

We can predict that Malaysia as the base for adopting a new approach for CSR in the textile and apparel industries with the Malaysian government encouraging and endorsing the role or CSR and contributing factor to the country’s growth (UNICEF, 2012). It is need of the hour to have more practical and accountable policies and its implementation to ensure that it is contributing to the development.

REFERENCES


Journal of Social Science and Humanity, 5(10), 892-897.


