

# Why Malaysia's Companies Must Be Socially Responsible

Conference speakers say it makes good business sense and is in line with Islamic teaching.

By John Zinkin

**T**HE recent conference on Corporate Social Responsibility (CSR) entitled *Creating Greater Competitive Advantage* was a milestone because of the importance given to CSR by the Deputy Prime Minister, Datuk Seri Najib Tun Razak, and Finance Minister II, Tan Sri Nor Mohamed Yacop.

The conference speakers made it clear there were four reasons why Malaysian companies must be socially responsible: it is integral to achieving Vision 2020; it makes good business sense; it is the Islamic way of doing business; and it is good risk management.

Najib restated the central objective of Vision 2020: achieving a society 'infused by strong moral and ethical values, democratic, liberal and tolerant, caring, economically just and equitable, progressive and prosperous'.

He stressed that enhancing the standards of corporate governance and business ethics were two of the five strategic objectives to be achieved within the next five years.

'It is interesting to note that three out of the nine challenges of Vision 2020 – a moral and ethical community, a fully caring culture and an economically just society – perfectly reflect the principles of CSR,' he said.

Nor Mohamed pointed out that CSR was also an integral part of Malaysia's implementation of Agenda 21 of the United Nations Programme for Action for Sustainable Development.

Najib, in beginning his presentation of the business case for CSR, said: 'We should not mistake CSR practices as acts of charity or philanthropy. On the contrary, effective adoption of CSR has the twin effects of improving both short term and long term corporate performance.'

In short: it helps improve financial performance, enhances brand image and increases the ability to attract and retain the best workforce – contributing to the market value of the company by up to 30%. All of which would translate into better client and customer satisfaction, improved customer loyalty and ultimately lower cost of capital as a result of better risk management.

Finally, a reputation for good CSR would help Malaysian companies compete globally.

This perspective was endorsed by the three speakers. Dr Gary Dirks of BP said BP took CSR seriously because it believed that it was in its business interest to do so. He said CSR maintained the 'licence to operate' without which businesses could not continue to invest and grow.

Critical to this approach is BP's belief in its economic purpose, demonstrated every day through the products and services it provides millions of satisfied customers, creating high quality jobs for more than 100,000 people worldwide and yielding a good return on capital employed.

In addition, BP aims to do nothing to bring the role of government or the role of business into disrepute.

Zarir Cama of HSBC Bank Malaysia argued that CSR mattered and that from a lender's perspective, the bank 'will assess all major loan proposals from their environmental, ethical and social impact. We have guidelines about companies to whom we will lend and with whom we will invest'.

For HSBC, CSR is a source of competitive advantage, ensuring its staff adopt and live by the highest standards of integrity, and a criterion against which it lends money.

David Halley of Business in the Community, pointed out 'it is vital that the backstreets are prosperous so that the High Streets may flourish'. Using United Kingdom case studies, he showed how businesses turned social problems into business opportunities by helping communities within which they operate be more successful, just and prosperous.

CSR also enshrines Islamic principles. That the UN Global Compact reflects Islam's teachings can be seen from the table (*see next page*).

More important still is the role of women in developing human capital. As Professor Afshar of York University argued: 'For good women to raise good women and men it is essential that all women have access to education, that they are able to exercise their independent judgment and to come to considered decisions concerning their lives and that of their family.'

CSR recognises the importance of investing in man-made capital to make the workplace safer, and factories and

## Human Rights

- **Principle 1:** Businesses are asked to support and respect the protection of international human rights within their sphere of influence.
- **Principle 2:** Make sure their own corporations are not complicit in human rights abuses.

● *I have made oppression unlawful for Me and for you, so do not commit oppression against one another.* - **Sahih Muslim, Vol. 3 No. 6254**

● *Help their brothers whether he is the oppressor or the oppressed i.e. if he is an oppressor he should prevent him from doing it, for that is his help and if he is the oppressed he should be helped (against oppression).* - **Sahih Muslim, Vol. 3 No. 6246**

● *O ye who believe! Stand out firmly for justice, as witnesses to Allah, even as against yourselves, or your parents, or your kin, and whether it be against rich or poor, for Allah can best protect both.* - **Quran, Surah 4 Verse 135**

## Labour

- **Principle 3:** Businesses are asked to uphold the freedom of association and the effective recognition of the right to collective bargaining.
- **Principle 4:** The elimination of all forms of forced and compulsory labour.
- **Principle 5:** The effective abolition of child labour.
- **Principle 6:** The elimination of discrimination in respect of employment and occupation.

● *Your employees are your brethren upon whom Allah has given you authority. So if one has one's brother under his control, one should feed them with the like of what one eats and clothe them with the like of what one wears. You should not overburden them with what they cannot bear, and if you do so, help them in their job.* - **Sahih al Muslim 3:4093**

● *Allah, (SWT), says: 'I will be an opponent to three persons on the Day of Judgment: One who makes a covenant in My Name, but he proves treacherous, one who sells a free person (as slave) and eats the price, and one who employs a labourer and gets the full work done by him but does not pay him his wages.'* - **Sahih al Bukhari 3:2**

● *No Arab has superiority over any non-Arab and no non-Arab has any superiority over an Arab; no dark person has superiority over a white person and no white person has any superiority over a dark person. The criterion of honour in the sight of Allah is righteousness and honest living.* - **The Prophet's Last Sermon**

## Environment

- **Principle 7:** Businesses are asked to support a precautionary approach to environmental challenges.
- **Principle 8:** Undertake initiatives to promote greater environmental responsibility.
- **Principle 9:** Encourage the development and diffusion of environmentally friendly technologies.

● *...wear your beautiful apparel at every time and place of prayer: eat and drink: but waste not by excess.* - **Quran, Surah 7 Verse 31**

● *Never a Muslim plants a tree, but he has the reward of charity for him, for when it is eaten out of that is charity; what is stolen out of that, what the beasts eat out of that, what the birds eat out of that is charity for him.* - **Sahih Muslim: 3:764**

infrastructure more productive and environmentally friendly. So it is about treating environmental issues with care and responsibility.

But it is also about ensuring the right investments are made in human capital, for this is the real basis of wealth and social stability. And it is about making sure that societies are just and equitable. Failure in any one of these areas puts the company's 'licence to operate' at risk. So CSR should be regarded as a form of long-term risk management.

The session on socially responsible

investment highlighted that it is also short-term risk management, protecting the market value of the company because in today's markets where so much of the company's market capitalisation is in intangibles based on investor trust, anything that damages that trust has disproportionate effects on the share price.

Two quotes from Najib's keynote address sums up why Malaysia's companies must be socially responsible:

**Quote 1:** 'As business leaders, it is incumbent upon you to drive the adoption of good CSR practices. Global

developments show that large companies have been at the forefront of good corporate social responsibility. I believe that with our emphasis on balanced development of growth with equity, things should be no different here in Malaysia. On the contrary, we should in fact be leading the way.'

**Quote 2:** 'For Muslims, the concept of CSR is not something new as responsible investment is a religious duty rather than choice.' **mb**

*The writer is associate professor of marketing & strategy, Nottingham University Business School, Malaysia Campus.*