

# A Conceptual Framework for the Implementation of Corporate Social Responsibility Practices and Performance

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## Abstract

This paper presents a conceptual framework that guides organizations through Corporate Social Responsibility (CSR) practices and CSR performance in Malaysian automotive suppliers. It provides a framework based on CSR practices dimensions (employee involvement, customer focus, environment, corporate governance, community and society, and human right) and CSR performance measurements (social performance and environmental performance). CSR practice plays a vital role in contributing to developing employees, communities, and customers to improve the CSR performance for Malaysian automotive suppliers. This's main contribution is to link the CSR implementation practices initiatives and CSR performance measurement.

**Keywords:** Corporate Social Responsibility, Corporate Social Responsibility Performance, Employee Involvement, Social Performance, Automotive Supplier

## Introduction

The Corporate Social Responsibility (CSR) practice receive increased interest in the automotive industry (Wellbork, Ludin, Rohrle, & Gerstlberger, 2020). It is recognized that the implementation of CSR practices is essential to manage a more efficient operations. In line with this, the automotive category, a large-scale sector that directly involved in the manufacturing industry is no exception. Most of the automotive industry adopts and practice

CSR oriented activities. Therefore, Malaysian automotive suppliers need to apply CSR initiatives integrated through all levels to address CSR challenges in their operations.

CSR practices are a business obligation to implement policies, make decisions, and following the guidelines by aligning to community objectives and values (Duan & Zhong, 2018). It is stated that companies need to adopt holistic social responsibility according to established policy and guidance ensure company's success. Hence, implementing CSR practices will influence the evolution of social and environmental aspects of Malaysian automotive suppliers.

Hu et al (2019) argued that CSR practices are based on CSR policies, CSR reports, corporate responsibility, and environmental management. Adopting CSR practices can reduce environmental costs, increase recycling rates, reduce litter, and reduce material use in improving company performance. Malaysian automotive suppliers are able to implement CSR practices while contributing towards environmental management, environmental protection, and environmental awareness. Therefore, organizations must understand and measure their improvements in the perspective of CSR performance aimed at addressing social and environmental aspects in structured and regular manners. Thus, the measurement will be used in developing models to evaluate the strategic performance of automotive suppliers in their efforts to enhance their competitiveness and business excellence.

In this study, it is important for Malaysian automotive suppliers to concern on CSR practices in terms of reduce cost, quality, and environmental. Ministry of International Trade and Industry (2021) mentioned that the issues of the domestic automotive industry are to meet global quality, cost, and environmental requirements. According to Perodua's Year of Transformation (2021), Perodua concerned about the cost and the environmental impact in the industry. At the same time, Perodua aims are to reduce the cost and increase the quality and performance of this industry. Thus, CSR practices can be implemented among Malaysian automotive suppliers due to provide improvement on cost and to enhance CSR.

This paper is arranged as follows. Literature reviews are presented with regards to CSR practices and CSR performance, while the proposed conceptual framework is explained in the methodology. Finally, the conclusion is made based on current knowledge, previous study and predictions.

## **Literature Review**

### *Corporate Social Responsibility (CSR) Practices*

Concerns about CSR practices have grown significantly among academics, the public, and the government. It is an ongoing commitment to ethical framework of sustainable development to improve the quality of the workforce and society. At the same time, CSR practices prioritize the well-being of the community to convince stakeholders to engage in CSR practices to enhance relationships with society actively, employees, and customers. CSR practices are a process undertaken by companies to take social and environmental management actions across products and services involving all stakeholders along the supply chain (Sharabati, 2018). CSR practices are the company's obligation to maximize impact on employees, customers, society, and the environment. On the other hand, CSR practices emphasize that

social responsibility is core to the company, and Malaysia automotive suppliers should undertake it.

CSR practices also carry out policies in making decisions following appropriate lines of action in terms of community objectives and values. In this regard, CSR practices affect society and the environment through operations, processes, products, or services to enhance interaction with stakeholders (Zhou et al., 2020). Therefore, CSR practices are seen as the responsibility of companies to emphasize the social and environmental aspects while improving their performance.

CSR practices become more critical for all organizations, especially for managers, customers, employees, and shareholders as CSR practices benefit organizations to improve the company's performance. Some of the benefits gained in the organization are positive effects on cost savings, increasing revenue from higher sales and market share, and reducing the company's risk (Cao et al., 2019). To start the CSR practices, companies can emphasize on cost savings. It is because cost savings can reduce the cost of substitute materials, labour costs, and energy consumption.

In recent years, CSR has become a higher priority for companies as they recognise a clear link to various benefits from every angle of the business, including increased sales and market share, strengthening brand positioning, enhancing the company's image, reducing operating costs, and increasing interest from investors and financial analysts. It is supported by Maali et al (2021), who stated that CSR practices positively impact companies to improve their performance. The authors suggest that applying CSR practices within an organization can increase the profitability of companies.

Several studies have been conducted on the implementation of CSR practices among automotive suppliers. For example, Wellbrock et al (2020) point out that automotive suppliers engaged in CSR activities emphasize the responsibilities given by suppliers in terms of products, labour codes of conduct, and environmental management. These findings are helpful in determining the extent of corporate sustainability and CSR, awareness, and application of CSR practices among automotive companies, investors, and regulators. Recognizing the significant contribution, CSR practices can be implemented by Malaysian automotive suppliers to enhance and expand its market share with a good reputation and ensure maximum profitability and increase corporate growth.

### **Corporate Social Responsibility (CSR) Performance**

Research by Gholami (2011) stated that CSR performance focuses on two dimensions, namely environmental performance and social performance. They found a link between social and environmental performance through operations, firms, products, and market characteristics. In addition, a previous study found that there is a strong relationship between environmental and social performance. Ikram et al. (2020) stated that all organizations should prioritize efforts to implement CSR performance. Companies are able to measure CSR performance based on environmental performance and social performance.

On the other hand, Dakhli (2021) showed that CSR performance influences environmental and social aspects such as society, the environment, and the workplace. Therefore, more companies are concentrating on taking care of environmental and social problems within their operations. This is supported by Ortas and Gallego-Álvarez (2020), who stated that CSR performance has a positive impact on the - company's management, especially in social and environmental aspects such as improving employee credibility, cost-saving and reducing risks. Consequently, as overall CSR performance helps the company enhance its social well-being, health potential, and safety among Malaysian automotive suppliers.

### Research Methodology

Based on previous research the questionnaire is adopted and adapted based on the constructs of CSR practices and CSR performance measurements. CSR practices comprise six primary constructs (employee engagement, customer focus, environment, corporate governance, society and society, and human rights). Meanwhile, CSR performance consists of two measures (social performance and environmental performance). In this study, the population focuses on automotive suppliers of Proton and Perodua. To achieve the objectives of this study, samples were selected from the list of automotive suppliers Proton and Perodua. Proton and Perodua's automotive supplier's list consist of providers of metal, plastics, rubber, electricity, electronics, and other automotive parts. Researchers will select key respondents from companies' representatives that hold top management positions such as Managing Director, Quality Control Manager, and Manufacturing Manager on their perceptions of company's CSR practices and performance.

### A Proposed Conceptual Framework

The conceptual framework is to examine the relationship between CSR practices and CSR performance in Malaysian automotive suppliers. Figure 1 represents the conceptual framework.

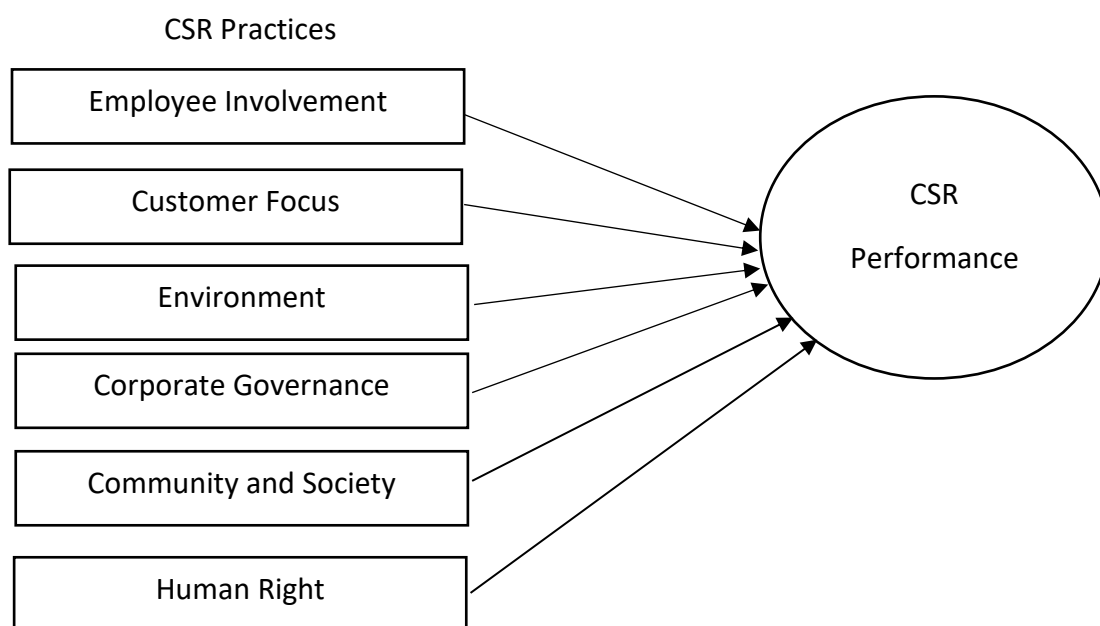


Figure 1. The Conceptual Framework

CSR practices focus on accountability and transparency that affect CSR performance (Kabir & Thai, 2017). It implies that the implementation of CSR practices can increase enterprise management, such as improving business ethics and conduct, better decisions making, and effective stakeholder engagement strategy. Therefore, CSR practices generate positive feedback to improve the social and environmental performance transparency to improve further improve reporting reliability. CSR practices can help organizations improved CSR performance in reducing company costs and improving product quality. Having CSR practices can enhance organizational value to enhance CSR performance, especially for Malaysian automotive suppliers. Thus, based on previous studies, H<sub>1</sub> is proposed:

**H<sub>1</sub>:** There is a significant relationship between CSR practices and CSR performance.

### **Conclusion**

This research provides essential guidelines for automotive and related companies to implement CSR practices and measure their CSR performance. Malaysian automotive suppliers may need to consider adopting CSR practices and measuring CSR performance; beneficial for their companies in determining the company's progress with regards to the practices embarked on. For further research, it is recommended that data collection processes be carried out to obtain information from letters, letters and emails, vendor visits, and attend vendor briefings at PROTON, Tanjung Malim and PERODUA, Bukit Beruntung.

The contribution of the research is not only limited for academic purposes but also for practitioners as well, especially among Malaysian automotive suppliers. This research has made a new contribution to CSR practices and CSR performance, especially for Malaysian automotive suppliers using SEM techniques. It provides, valuable references for future researchers in this area of research. Perhaps other researchers will be able to contact each company directly for the best method to get much detailed information in the future. This research provides -essential information for decision-makers involved in the implementation of CSR practices.

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