



Corporate Social Responsibility in the Malaysian Food Retailing Industry: An Exploratory Study

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Article Information

Keywords

corporate social responsibility, retailing, Malaysia, developing countries

Abstract

Managers encounter rising demands from multiple stakeholders to devote resources for corporate social responsibility (CSR) practice. The increasing importance of CSR practice highlight the need for researchers to continue to enhance the body of knowledge to offer theoretical and pragmatic insights. Despite the growing importance of CSR practice in the food supply chain, little work has been carried out to explain the insights of adopting such business exercise from the perspective of emerging nations such as Malaysia. In this paper, we looked at the growing interests in managing CSR in the context of food retailing sector by investigating how CSR is embedded in the retailers' operations. Semi structured interviews to investigate how CSR is being implemented and exercised at the retail store was conducted with four hypermarkets in Malaysia. The findings suggest that the understanding and practice of CSR in the hypermarkets within the Malaysian setting are grounded in the context of environment, food safety, labour and human rights, community and sourcing.

INTRODUCTION

Heightened interests in global sourcing have attracted the worldwide attention on the corporate social responsibility issues. Over the past decade, many global supply chains have experienced a shift in which large and emerging economies are playing prominent roles as exporters, with Asia represented as among the higher exporters of intermediate goods to European Union and North America in 2008 (OECD, 2011). While this changing trend could offer immense opportunities, the practice has also introduced a number of pertinent social issues. Series of product recalls involving suppliers originated from developing countries have shaken the public confidence in the ability of

manufacturers to assure the safety of product exported to developed markets (Maruchek et al. 2011; Speier et al. 2011). Notwithstanding this, the provision of clean and safe working conditions within suppliers' factories and maintenance of fair pay rates for workers and contractors employed have also being raised, tendering firms to implement good business practice and exercise corporate social responsibility.

Corporate Social Responsibility (CSR) is defined as a concept whereby businesses may be held socially and ethically accountable by an array of stakeholders which include customers, employees, governments, communities, NGOs, investors, suppliers, unions and regulators (Carroll, 1999). This practice is often perceived as a firm's response to failures or limitations of governmental regulations following privatisation, globalisation, shift in values and preferences of more affluent society. Responsible business conduct could potentially influence consumers' purchasing behaviour. The proliferation of multimedia communication technology further complicates firms in hiding their unethical practices. This concept not only raised by the consumers, yet has been forwarded by NGOs, government and multilateral institutions as a step in limiting the negative impact of firms' production on society and environment. As firms incorporate CSR exercise with economic strategies, positive gains can be realised through cost savings from resource reduction and efficiency as well as revenue generation from improved stakeholder relations and brand image.

In the context of food industry, CSR practice is pertinent as failure to implement such exercise could potentially lead to food safety issues. Since food covers basic human needs, people have strong views on what they eat leading to a set of complex and broader requirement of quality attributes encompassing the manner in which products are produced (e.g. organic production and animal welfare concern) and the make-up of products (e.g. pesticide residues). The developments in agricultural and food technology which include irradiation and genetic-modification are also lead to greater consumer concerns on CSR (Pachico and Wolf, 2002). Despite the growing importance of CSR, it appears that there is a dearth research focusing on the food industry specifically. Within the literature, few studies have attempted to focus on this area (Tallontire, 2007; Maloni and Brown, 2006; Hartmann, 2011). Nevertheless, these studies appears to be anecdotal with focus given on conceptual development.

Motivated by the gap identified above, this paper aims to explore how CSR is being demonstrated and implemented at the retail stores by collecting data through series of semi-structured interviews with four hypermarkets in Malaysia. The Malaysia's food retail chain represents 75 per cent of the total retail stores, comprising of wet markets, grocery shops, convenience stores, supermarkets and hypermarkets. The food retail industry is currently worth US\$15 billion. This figure is expected to grow at 10% annually with the increased affluence and education levels (Kamarulzaman et al. 2014). On average, a Malaysian family spends 23 per cent of its household income on food consumption. The strong consumer demands and expanding food industry provide huge prospects for the retailers in the local sector. Nonetheless, new emerging issues such as increased CSR concerns may affect the images of brands and firms; motivating them to move beyond offering products and services with good value to also address social issues. This study provides platforms of reference for more effective managerial-decision making.

LITERATURE REVIEW

Corporate social responsibility concerns

The applications of CSR to the supply chains have only emerged in the last 15 years, with a slow adoption process. Until recently, both theory and practice within supply chain management field have concentrated on integration of business activities and processes along the network, cost efficiency and customer service. Nevertheless, the changing trends of procurement and sourcing activities from developed countries to developing nations have led to renewed interests in CSR. Almost concurrently, this issue has been raised by NGOs, government and multilateral institutions as a step in limiting the negative impact of firms' production on society and environment. The United Nations for example, has established the "Global Compact" which comprises a set of principles that should be abided by firms aiming at achieving CSR (Park and Singer 2012).

Firms embrace on CSR practice for a variety of reasons. To sceptics, CSR is seen as having a bad impact on their wealth creation (Clement-Jones 2005; Murray 2005), while some businesses view this practice as essential exercise which could provide opportunity. Within the strategic literature, CSR is perceived as a tool that could strategically act as economic energiser, with positive gains realised through cost savings from resource reduction and efficiency as well as improved stakeholder relations and brand image. For instance, widespread criticism of Wal-Mart which centre on the labour practices of its suppliers in developing countries and environmental matters have motivated the retailers to address the social issues, as they worry that this might negatively affects brand image and consumers' attitudes (Ganesan et al. 2009). Some businesses may also look for a balance between their actions and how they are

perceived by outsiders and what is thought by society to be appropriate. The perceptions of society on the organisations are crucial and may affect their survival if they breach their social contract. The likelihood of long-term survival is also higher for firms that comply with legislation, societal norms and standards since it facilitates firms in avoiding fines, penalties and public protest campaigns (DiMaggio and Powell, 1983). Starbucks for instance, has instituted fair trade coffee offerings in their stores after the firm had pressured by NGOs to improve wage conditions among produced farmers (Maloni and Brown 2006).

In a global environment, the calls for socially responsible practice are particularly more challenging since international trade is conducted through various sourcing and contracting arrangements. Often, a failure of CSR aspects will not only affect an individual firm, yet other supply chain members, if not the whole supply chain is disturbed. For instance, the violation of animal welfare standards occurs at supplier side may impact the manufacturers' brand image. This situation calls for some key actors – often multinational corporations (MNCs), large retailers and brand-name firms to control and take responsibility of environmental and social practices of their partners such as suppliers, third party logistics providers and intermediaries, enabling them to control production over long distances without owning those firms. Given the powers held, these organisations play a significant role in determining what should be produced, how and by whom. They may also offer technical support to their suppliers to enable them to achieve the required performance.

While involving in CSR practice entails substantial amount of resources, participating in such practice facilitate firms in creating resources and capabilities as well. Improved social and environmental performance may tender a fundamental shift in human resources and the organisational capabilities required to manage them. Firms may need to hire additional staff to advance CSR through affirmative action, improved labour relations and community outreach. Despite this, the investment in socially responsible activities may also assist firms in developing new resources and capabilities, hence generating sustainable competitive advantage. For instance, socially responsible employment practices such as fair wages, clean and safe working environment, training opportunities and health benefits may increase morale and productivity while reducing absenteeism and staff turnover (Branco and Rodrigues 2006). Reorganisation of operations process for improved environmental performance may create opportunities for firms to innovate, with less energy used contributing to lower waste handling costs (Russo and Fouts 1997).

METHODOLOGY

This paper utilises semi structured interviews to investigate how CSR is being implemented and exercised at the retail store. The sampling frame for this study was drawn from the list of retailers that are registered with the Malaysian Retailers Association as of September 2014. The total numbers of registered retailers were 73. Out of these numbers, there were only 11 retailers involving in the food industry. These retailers were contacted through telephone calls and meeting with the managers were arranged to secure permission for conducting interviews. Researcher also emphasise that the data collected would be exclusively used for research purposes and their participation was anonymous and voluntary. Participants were given the opportunity to discontinue their participation at any point. Only 4 retailers agreed to participate in the study (Table 1).

TABLE 1: DEMOGRAPHIC PROFILES OF RESPONDENTS

Participants	No. of retail outlets	Type of company
1	618	Joint-venture
2	50	Joint-venture
3	120	Local
4	90	Local

The interviews took between 60 minutes to 90 minutes per session and were conducted over a span of four months. Once the participants gave their consent, the discussions commenced based on two questions.

1. What type of CSR practice that your company perform?
2. How does your company response towards good responsibility practice?

Interviews were recorded digitally and transcribed from the audiotapes and prepared for content analysis. The data analysis involved identifying categories and sub categories in the interview transcripts. Open coding was employed to detect general level of conformity/consistency and divergences in answers. Following this process, the organised materials were read several times with the content of each interview further analysed. The findings were then refined to develop sub-categories. In the next stage, the relationships among themes were identified by validating the interviews' information obtained against data attained from observation and analysis of secondary documents. Table 2 highlights the themes and categories identified. In what follows, we present the findings of our analysis.

RESULTS

TABLE 2: QUALITATIVE CONTENT ANALYSIS

Themes	Sub themes	1	2	3	4	Total
Environment	Environment-friendly building	√	√		√	3
	Eco-friendly bags/no plastic bags	√	√	√	√	4
	Transport management system		√			1
Food Safety	Promoting food safety	√			√	2
	Ensure halal compliance	√			√	2
	Promote healthy eating	√	√	√	√	4
Labour and human rights	Employees' health coverage					
	Hiring disable employees			√	√	2
	Staff development	√	√	√	√	4
Community	Fund-raising activities	√	√	√	√	4
	Free-meals and gifts	√	√	√	√	4
	Blood-donation	√				1
Sourcing	Supplier selection	√				1
	Locally sourced		√			1

Environment

Without exception, all the managers interviewed emphasised the importance of carrying the responsibility of maintaining the environment. They maintain involvement in environment dimension, as they perceive that this strategy is not only facilitate them in protecting the environment, yet could reduce production costs and improve their efficiency. All the retailers interviewed have taken initiatives to provide eco-friendly bags. They stated that :

“We are encouraging our customers to go green by rewarding our customers whenever they don't request plastic bags. We are working with one of our country's famous fashion designer to help create stylish eco-friendly bags made from recycled plastic bottle”.

“On Saturday, we would charge our customers 20 cents for each plastic bag. In fact, we remind them to reuse the plastic bag to save the environment by printing the message on the bag itself”.

Apart from the eco-friendly bags, one of the participants highlight that the company has revamped its transportation management systems as a way to reduce costs of transportation and reduce carbon emission. The participant pointed out:

“We purchased own freight fleet to improve our route planning and efficiency. With this step taken, the company has managed to reduce the carbon emission by 31 % per case. We also buy trucks and trailer that are eco-friendly to help us reduce the number more”

Some of the companies interviewed also opted for energy efficiency building as part of their commitment to sustainability. As articulated by the respondents:

“At store wide, we use energy-saving lights, motion sensory lights, energy-saving freezers and self-closing taps”

“The company has initiated energy savings by changing to LED light bulbs, turning up the temperature of its condition, and use green raw materials”

“We have won the Green Leadership Award for our efforts in reducing the energy consumption. We install inverter system in the offices and outlets. We have engineering team to control consumption in store especially in cold storage units and store lighting”

“We do practice green in our offices. For example, we encourage the employees to switch off lights when the space is unoccupied, configure the computer into sleep mode when not in use”

Food safety responsibility

The principles that were most frequently mentioned by the interviewed managers as the motivating factor was the principle of legitimacy. All the firms included in the sample expressed concern with maintaining the legal compliance and playing the “rules of the game”. From this angle, firms fulfill their corporate responsibility within the framework of legal requirements by ensuring the food safety and *halal* compliance of the products:

“In our retail stores, non-halal food are segregated from halal-food to avoid contamination of products. This is important to take care of the sensitivity of our customers. Not only that, the segregation is also important for the halal compliance”.

“In some areas, like Putrajaya, Shah Alam and Kota Damansara, where majorities are Muslims, we don't have non-halal products”. Our own brand food such as delicacies beverages are also prepared according to the halal standard, as to ensure they comply with the MS 1500:2009”.

“Our company promotes food safety by establishing Food Safety Management Systems for the retail outlets and processing centre. This is important as most of our retail outlets have obtained the certification of HACCP. We need to maintain the certification”.

All the managers interviewed are also opt for healthy food awareness programs as part of their responsibility practice. They highlighted that:

“We had launched 5-a-day campaign to increase the consumers' consumption of fruits and vegetables. We promoted eating at least 400 grams of fruits and vegetables a day with at least 5 portions of fruits and vegetables of any form”

“As part of our responsibility to promote healthy lifestyle, we ensure that all products displayed on the shelves have nutritional information written on the package of the foods. This applied especially for in-house brands”

“We are the first hypermarket in Malaysia to incorporate nutritional labelling on the front pack of products to help consumers making 'informed-decision' in regards to product choice”

Labour and Human Rights

The retailers interviewed also mentioned that they managed the responsibility issues by incorporating labour and human rights element into their company policy. For instance some of them stated that:

“In our firm, we respect human rights. We don't discriminate against anyone based on their nationality, race, gender, age, educational background, sexual orientation, physical handicap or anything else not related to desire, hard work and talent”

“In addition to attractive base salary, we offer other benefits such as health coverage, development and training opportunities. We invest heavily in training to ensure that our employees have the opportunity to achieve their career ambitions”

“Potential staff are identified for leadership training to enhance their capabilities in preparation for higher post and roles in the future. We have our own academy facility which is dedicated to cater the learning and training of our employees

“We had recruited our first batch of employees that have various types of disabilities in 2007 under the job coaching program”

“We received support from Japan International Cooperation Agency (JICA) to train employees with disabilities to perform and carry out their duties, especially those that have learning difficulties”

Community

It is interesting to note that the sense of ethical obligation and responsibility was implicitly detected. All retailers consistently referred to philanthropic type activities. They perceived need for social interventions that would benefit the society. The retailers expressed that:

“We give more focus on those less fortunate people such as single mothers and orphans. We collaborate with manufacturers in fund-raising activities. When the customer buy certain product, for instance, some portion will be channeled to school preparation programs for less fortunate children”

We have established a foundation that continuously involved in fund-raising activities and events. We conducted some charitable events with Hospital Kuala Lumpur where we fight against child abuse, collect donations for flood victims.

“We provide 169 needy families and poor people allowance to purchase grocery from our store”

Sourcing

Our findings indicate that some of the respondents are promoting good CSR practice along the chain by incorporating the CSR elements as part of the criteria in choosing the suppliers. They stated:

“We control and audit suppliers activities to ensure social and ethical responsibility related to child labour, forced labour, health and safety, discrimination, working hours and environmental impact. We also joint forces with United Nations Industrial Development Organisation (UNIDO) to develop a CSR program intended to support local producers to increase safe and sustainable sourcing”

In order to become our supplier, they must ensure that the welfare of employees are taken care and environmental impact are considered”

DISCUSSION AND IMPLICATIONS

This paper attempts to explain how CSR is being implemented at the retail stores in Malaysia. Our findings suggest a number of issues that deserve further attention. There is increasing evidence that the CSR movement has picked up the momentum in the Malaysian retail stores. Yet, it is worth noting that despite the good awareness on the CSR approach, the practice is still largely conceive on a range of the various social programs in which the retailers interviewed have maintained involvement ranging from donations, educational and learning programs. While the added values of these activities are not to be undermined, these programs appear to be one-short ventures or time specific projects. This may suggest that social issues and impacts have not been seriously incorporated within the company policy. For instance, in the food industry, many small-scale farmers, in the developing countries particularly are struggling in a market controlled by large multinational firms (Maloni and Brown, 2006). A huge number of them are left with fewer options in generating income, leading to poverty life. Hence, the improvement of living conditions is unlikely to materialise, suggesting the retailers to take CSR a step forward broadening their corporate responsiveness strategies by including other elements such as fair trade. By encouraging fair trade, retailers could assure that producers, specifically farmers receive a fair price which guarantee their living income and help them escape from poverty. Changes in the way responsibility management has traditionally been approached are thus, required.

In an effort to be a good corporate citizens, many retailers within the context of this study adopt codes of conduct that highlight acceptable practices for suppliers. Yet, enforcing these codes may be difficult to implement since suppliers are geographically, economically and culturally diverse. The effectiveness of this practice may have limited effects (Locke et al. 2007). Nevertheless, this approach may benefit with collaborative activities between suppliers and retailers. Nike for instance, has successfully improved the suppliers' working conditions when they combine monitoring approach with collaborative activities such as joint-development in production planning systems. Practicing CSR in food retailing industry requires that the practice is embedded not only within the organisation, but should be disseminated to all functional areas, subsidiaries abroad and suppliers.

While the respondents have admitted their interests in obtaining benefits and payoffs of their CSR programs, direct short-term financial gain cannot be considered as the key driving force behind the CSR practice. Retailers may not be benefited from short-term indirect benefits such as branding, reputation and public relations in a short-time span (Raman et al. 2011), highlighting that these may be likely to reflect positively on performance over time. Retailers should therefore, incorporate the CSR as part of their policies and programs as well as their daily business transactions to ensure their sustainability.

CONCLUSION

Recently, many corporations have increased their sourcing activities globally, which may have adverse effects on a retailer's brand image. With long distances, different standards and various companies involved, firms are facing difficulties in exerting comprehensive controls over the entire supply chains. This holds true particularly for food supply chains owing to the shelf life constraints of food products and increased consumer demands for safe and environment friendly production methods. In response to such advancement, food retailers may find it more prudent to implement programs and processes that could minimise the adverse effects and increase brand linkages to positive social responsibility practices. Parallel with this development, supply chain management has moved from an operational perspective to a strategic perspective.

While much literature has existed to explain the CSR practice, very little is known about its understanding and practice in food retailing industry, particularly from developing countries. Responsible practice is pertinent as this strategy help firms to reduce the controversies and contribute in restoring trusts among publics. Moreover firms in emerging economies may react differently due to diverging responsible practice in the light of different levels of

national economic development and distinct socio-cultural environment. In view of this, it is doubtful whether their findings are applicable in the context of developing economies.

In this paper, we have looked at the growing interests in managing CSR in the context of food retailing sector. We have investigated how CSR is embedded in retailers' operations. Consequently, we extend the existing knowledge by exploring this issue from the perspective of developing country's food retailing industry. Nevertheless, the result of this study is still preliminary and exploratory in nature. Yet, it is hoped that this paper has succeeded in offering some understanding and insights into the sector and basic fundamentals on the CSR practice. Future studies incorporating quantitative evidence, encompassing larger sample size from other developing economies are therefore necessary to supplement this exploration.

ACKNOWLEDGEMENT

This paper is based on a research which is financially supported by the Research Acculturation Grant Scheme (RAGS) from Ministry of Education Malaysia in collaboration with Universiti Teknologi Mara (UiTM).

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