

**Impact of CSR on Customer Satisfaction Mediated Employee Ethical Behaviour in
Malaysia**

1.0 Introduction: -

Corporate social responsibility is a field that has attracted attention of many researchers for many years. Different researchers have investigated the role of CSR in creating sustainable businesses. In Malaysia the aspect of CSR is today gaining attention of many researches. Despite the relevance of CSR, companies are still struggling to introduce CRS into their business since it takes a longer period of time to create paying-off for the companies. The government in countries like Malaysia has tried to improve the awareness and initiatives meant to improve CSR among Malaysian companies. CSR has also been reported to be a social responsibility. The companies that have embraced CSR have reported sustainable businesses. Even though studies have been done in Malaysia context, there is a limitation of studies done to investigate the relationship between CSR and customer satisfaction. The prime purpose of the present study is to investigate the impact of corporate social responsibility (CSR) on the customer satisfaction mediated employee ethical behaviour in Malaysia. Findings of this study is expected to be applied to customer satisfaction through ethical sales behaviour on customer commitment, trust and loyalty.

1.1 Research Aims: -

The aim of this study to investigate the impact of corporate social responsibility (CSR) on the customer satisfaction mediated employee ethical behaviour in Malaysia.

CSR, which include legal, economic, ethical and philanthropy of CSR.

1.2 Research Objective:

- To examine the impact of CSR on CS mediated by EEB
- To investigate the impact of Legal CSR on CS mediated by EEB
- To investigate the impact of economic CSR on CS mediated by EEB
- To examine the impact of ethical CSR on CS mediated by EEB
- To investigate the impact of philanthropy CSR on CS mediated by EEB

1.3 Research Question: -

- What is the impact of CSR on CS mediated by EEB?
- What is the impact of legal CSR on CS mediated by EEB?
- What is the impact of economic CSR on CS mediated by EEB?
- What is the impact of ethical CSR on CS mediated by EEB?
- What is the impact of philanthropy CSR on CS mediated by EEB?

Chapter 2

2.0 Literature Review:

Empirical Review

CSR definition

CSR has been conceptualized as a conjoint set of ethical and legal commitments and obligations to stakeholders at the national and national level. According to WBCSD, the obligations and commitments stem from the impact generated from organizations through their social labor and activities, and human rights and environmental issues. Supporting this view, Valor and De la Cuesta opined that CSR implies the organizations' integration and recognition of environmental and social concerns in their operations which lead to entrepreneurial activities and practices that include those concerns.

Valor and De la Cuesta identifies four key ideas related to CSR. First, CSR is related to morals and ethical behaviours. CSR encompasses a conjoint set of ethical and legal commitments and obligations. Third, CSR involves admitting the consequences of the organization's activities and performance to groups and shareholders, and admitting that organizational effectiveness demands more than maximization of profit. Lastly, CSR concerns environmental, labour, human rights and social fields.

Definition: Customer satisfaction (CS)

Customer satisfaction (CS) has been defined variously as referring to customers' overall assessment or evaluation of the experience of consuming and buying a product overtime.

According to Yi customer satisfaction can be determined by customers' previous experience and

its confirmation. Yi further opined that customer satisfaction plays a critical role in creating previous expectations and reputation.

CSR and CS

Studies have suggested several ways through CSR may predict greater CS. According to Bhattacharya and Sen and others, strong record of CSR by an organization creates a context that favorably and positively boosts consumers' positive attitude and evaluation towards it. Other argue that perceived value created through CSR is an antecedent that promotes CS and that CSR can increase the perceived value of the company. In another similar study, Luo and Bhattacharya indicated that customers may derive higher satisfaction and better perceived value from products that are produced by an organization is socially responsible. Other studies have suggested that CSR demonstrates that the company values fairness and equity and it may increase levels of CS through employee training, product improvement and ethical treatment of customers. CSR is also believed to appeal to consumers' multidimensionality as an economic being, as well as a member of a community, country, and family. It is also argued that CSR also influences on CS and impact on CR.

Elsewhere, Tan and Komaran observed that economic responsibility of CSR may have a positive influence on the decision of customers to purchase. In this case, customers depend on the economic responsibility of the CSR to make a decision to purchase. Also, economic CSR has been positively linked to the level of trust that may cause retention and customer satisfaction. A recent study conducted in this field reported that there is a relationship between economic and customer satisfaction or retention. This study identified the economic CSR like the fairness in price and hoe it was linked to the level of satisfaction and retention of customers. The quality of a given service or product has been found to have positive impacts on customer satisfaction.

Studies on the quality of the product have defined the product quality as the level to which the product meets the reliability, conformance, performance, durability and perceived quality as considered by the customer. Haghighi et al., reported a strong relationship between quality of the product or service and level of satisfaction of the customers. Same findings were reported by Zhao, Lu, and Chai who reported that the improved quality of the product sold by a company will influence customer satisfaction positively. In this case, evidence has shown that an improved level of service quality will be associated positively with satisfaction of customers causing positive feedback to the company.

Another factor that affects Economic CSR is the operation efficiency. Operational efficiency is measured by considering the amount of waiting time cost efficiency, and fast responses. Similar to other variables, operational efficiency has been reported to be positively linked to customer satisfaction. These studies also reported that the reliability of the procedures for complaints was a positive factor in determining customer satisfaction.

In addition to operational efficiency, shareholders level of wealth is a crucial factor in Economic CSR. Onlari and Rotchanakitumnuai mentioned that shareholders wealth lead to more wealth maximization activities in the organization, hence creating a high satisfaction of customers. Similarly McDonald and Thiele reported that sharing of profits with employees would facilitate customer satisfaction.

Studies conducted on legal CSR have reported no relationship between compliance with regulations and customer satisfaction. Exploring legal dimension as part of CSR reports a significant role of legal responsibilities of the CSR to the satisfaction of customers. Other studies in the field have reported that when a company complies with the laws governing consumer protection, such a company is likely to provide higher customer satisfaction. This is so

because many consumers will believe a company that is in good times with the law. In addition, labelling the items as a variable of Legal CSR was reported to have a positive correlation with customer satisfaction. Customers will show high level of trust as well as confidence when companies acts as per the legal regulations set to have the consumers privacy protected. Nareeman and Hassan reported a negative relationship between legal CSR and customer satisfaction.

Lee et al reported that an organization that follows ethical practices tend to have improved satisfaction of customers. Galbreath reported that attributes such as fairness, honesty, and integrity among the staff were reported to describe the ethical responsibility of CSR dimension. Fairness refers to the service offered to the customer and it is linked to the loyalty and satisfaction of the customers. When the front desk embraces ethical behaviour, they tend to create a high satisfaction level among customers. Alrubaiee showed a positive relationship between ethical CSR and customer satisfaction. In this case, a brand that fulfils all promises made will facilitate the satisfaction of customers. Also practices of fair trade, including green labelling have been linked to customer satisfaction since they make the customer see sustainability of the products.

Nareeman and Hassan investigated philanthropy CSR and found out that the dimension of CSR had huge effects on the satisfaction of customers. The dimension of philanthropy, such as charitable contributions, donations, marketing activities related to a given cause, were reported to have a positive correlation with customer satisfaction. Other findings indicate that community development activities done by organizations have a positive relationship with customer satisfaction. While some studies show a positive correlation between charitable contribution and

customer satisfaction, other studies like that of Levi et al show that the consumers gave philanthropic activities a low rank hence showing low satisfaction levels of the customers.

2.1 Review of CSR Theories and Models:

Carroll's four-part Pyramid Model

One of the three common CSR models that has been applied in many businesses is the Carroll's four-part pyramid. In this model CSR is created to embrace the entire society handling the expectations of the society as well as the business responsibilities defining them as per their categories. The model is made up of four social responsibilities including the economic, legal, ethical and philanthropic aspect. Using this model in identifying the conceptual model for the CSR is made to show that the entire CSR of all organizations is made up of specific aspects that make the whole. The model offers a description of different responsibilities in a hierarchical order of decreasing importance. One of the vital dimensions is the economic role of business which predicts the economic stability of the firm. Without these aspects, all business responsibilities predict the economic responsibilities of a firm since without it other aspects of the business may not be considered. As such, organizations are expected to operate within the confines of the law, and legal responsibilities. The least important dimension in the pyramid is the philanthropic aspect which is considered to be discretionary. The theory offers a description of the vital obligations that socially responsible organizations need to fulfil simultaneously considering the value.

When using Carroll's Pyramid model, one has to consider the assumptions of the model. The model has assumptions such as nature of the CSR, scope of the responsibilities, order of importance, total CSR, and role of philanthropy. The model has existed for some time now and has been used by different business. The magnitude of its influence is judged by its progeny.

Several studies on the theory have focused on operationalising the framework and creating ways of testing sets of hypothesis on the determinant of CSR.

Intersecting Circles Model

The intersecting circles model is a contrast of the pyramid model. Intersecting circles (IC) model identifies the chance of interrelationships of the CSR domains and tends to reject the order of hierarchy where order of importance is given priority. The IC model holds that different responsibilities interplay in a dynamic way with each other, hence creating the CSR to advance to a resolve and harmony of the conflicts between them. This model is proposed by Schwartz and Carroll. The whole idea beyond IC model is that no dimension of CSR is more important than the other. In this economic responsibility should not be considered to be the most fundamental than other dimensions. Even though corporations are designed to conduct business, these corporations have a social responsibility which is depended on the ability of the society to support them. In other words, social responsibility of a firm is as vital as the economic dealings of the firm.

Concentric-circle Model

The third model of CSR is the concentric-circle model mostly abbreviated as CON. CON model has similar views as those of pyramid and considers the economic role of the organization as the vital responsibility of the business. The model put much emphasis on the interrelationships among other aspects of CSR. The difference between pyramid model and Con model is that the CON model defines the economic role in terms of how an organization enhances the societal good. The CON model outlines the relevance of non-economic responsibilities of the organization as a way of permeating the core economic responsibilities. The table below shows the different models and their assumptions.

The present study will conceptualize CSR following the theoretical framework developed by Carroll. In his study, Carroll identified four dimensions of CSR, which include legal, economic, ethical and philanthropy of CSR. The table below shows the conceptual framework showing the relationship between CSR, and customer satisfaction mediated by EEB

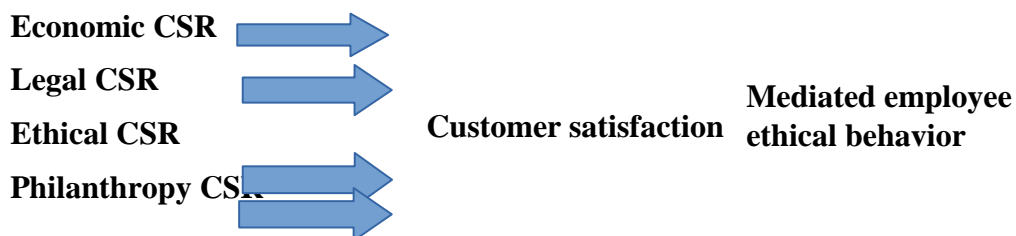


Table 1: Conceptual framework showing impact of CSR on Customer satisfaction mediated employee ethical behavior

Economic CSR

The economic role of CSR dimension can be measured using the maximized wealth of shareholders, competition, profit, profitability, and operational efficiency. Other determinants of economic CSR include products and jobs needed by the customers. Tonlaor and Rotchanakitumnuai mentioned that the level to which a company practices economic CSR may depend on the quality of the product and fairness.

Legal CSR

The roles of the legal CRS can be measured by observing the levels to which the organization's activities agree with the regulations and laws satisfying the legal obligation, and creating a law-abiding corporate citizens. It is the measure to which the services and goods produced by the company meet the minimal legal requirement.

Ethical CSR

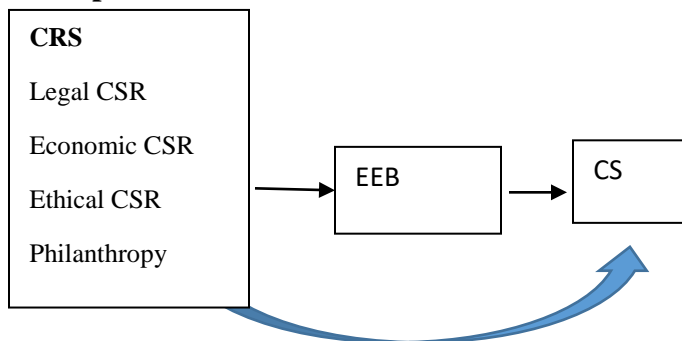
The ethical role of CSR can be measured using the ethical norms and morals. It refers to the level to which the organization will adjust itself to the moral norms that are coming up, corporate

citizenship behaviour, ethical standards, and corporate citizenship behaviour accepted by the level to which the organization go beyond regulations and requirements meant to maintain the integrity of the organization. The expectations, norms and standards can also be used to determine the ethical responsibilities.

Philanthropic CSR

Studies conducted in this field show that Philanthropic CSR is the dimension considered a high level of CSR. This dimension is measured in terms of the charitable expectation of society to the company. Any kind of assistance offered to the society in terms of performing arts, or extend of the manager or the organizations involvement to voluntary charitable activities defines this dimension. In some cases, any kind of assistance offered by the organization to projects that enhance quality of life defines philanthropic CSR.

Conceptual Framework



Hypothesis

In formulating the hypotheses of this study, the researcher considered that the CSR-CS relationship is not direct rather mediated via the variable: employee ethical behaviour variable. This is to say that the study posits that employee ethical behaviour will mediate this CSR-CS relationship. On this basis it is hypothesized that:

- CSR significantly positively impact through EEB on CS
- Legal CSR significantly positively impact through EEB on CS
- Economic CSR significantly positively impact through EEB on CS
- Ethical CSR significantly positively impact through EEB on CS
- Philanthropy CSR significantly positively impact through EEB on CS

CHAPTER 3

3.0 Research Methodology

The main objective of the research is to investigate the influence of corporate social responsibility on the customer satisfaction mediated employee ethical behaviour in Malaysia.

This chapter will provide the discussion of the research paradigms, research design and strategy, methods of data collection, target population, methods of sampling, data analysis and data instruments, as well as ethical aspects of data collection.

3.1 Research Philosophy

Research philosophy represents the source, nature, and development of knowledge and explains how the research data are collected, analysed, and used. There are two major research philosophies, including the positivist and interpretivist ones. The nature of this research indicates that the use of the positivism research philosophy will be beneficial.

Positivists consider that reality is stable and that it is possible to describe it from an objective viewpoint, as there is no need to interfere with the phenomena under investigation. They claim

that it is necessary to isolate phenomena and make repeatable observations. This presupposes reality manipulation with variations. Moreover, the predictions can be made on the basis of the realities that the researchers previously observed and explained. In general, a positivism research is described by means of the formulation of models, hypotheses, and relations, thus providing the researcher with an opportunity to make personal interpretations.

3.2 Research Design / Research Method

It is essential for any researcher to have a clear understanding of various research design types to select the most appropriate one for the study. There are two broad classifications of the research design, namely, qualitative and quantitative. This research will be qualitative in nature. The main benefit of a qualitative research is the provision of a better understanding of motivations, thoughts, and opinions. Besides, it ensures the comprehension of the issue under investigation. Hence, qualitative research is used to establish the relationship between the collected data and observation on the basis of certain calculations. It enables the researchers to answer the questions that contain 'why' or 'what'. The current research will also be explanatory as it investigates the relationship between corporate social responsibility and customer satisfaction. Explanatory researches are broad in scope, and allow the researcher to become aware of any attitude, opinion, or behaviour held by a person or a group of people. The main objectives of such research are to get a deep insight into the issue under investigation, to generate new ideas, to develop the hypotheses that explain the specific phenomena occurrence, to provide predictions, as well as to determine the practical priorities for the future. Hence, the benefits and value of explanatory research explained the choice of the research design.

3.3 Research Strategy

A research strategy enables to introduce the main components of the research, including the topic area, main focus, as well as research design and methods. It indicates how the researcher answers the research questions and implements the methodology. The current research will use the qualitative interview (structured interview) to collect the needed data for analysis. A structured interview is an effective way of accessing information. However, qualitative interviews require a thorough planning process concerning the structure development, the sampling procedure, as well as recording and analysis. Moreover, it is essential for the researcher to have good communication and listening skills. As some interviews may be time-consuming and prone to problems, it is imperative for the researcher to minimize them during the design stage.

3.4 Data Collections Method

Due to the research aims, objectives, and questions, as well as time and budget constraints, the researcher will use primary and secondary sources to collect the research data. The primary data will be taken from the structured interview that will be developed to collect the data related to the research topic. All interview respondents will give answers to the same questions. It will be a self-administered interview, but it will be administered with the presence of the researcher. The primary advantages of this interview are low cost, the ability to cover a wide range of population, the elimination of the interviewer's bias, and others. The secondary sources will be taken from the journal articles and books. As the majority of the sources are peer-reviewed, the reliability of their information cannot be doubted.

3.5 Target Population, Sample Size and Sampling Method

The target population size of research is a census that presupposes data collection (related to the research topic) from every member of the population. As the research does not enable to collect

information from a large number of people, the number of the questionnaire participant will be 50. Hence, the target population of the current study will be people (customers) in Malaysia.

Sampling is referred to as a group selection process. Sampling is also the source of error that may potentially arise during the questionnaire and should be addressed prior to the data collection. Hence, a sampling error is the disparity associated with the random sampling between the parameter of an actual population and the parameter of a sample estimate. A large sample indicates that there is likely to be a small error. The current research will implement a non-probability convenience sampling as it enables the researcher to use his / her personal judgment concerning the topic or information related to it based on the existing knowledge of the investigated issue. It has been found that such a sampling technique is very easy in use and not very expensive.

For the collection of data for the current study, the researcher will ask people to participate in the questionnaire. However, as the target population sample comprises 50 participants, it is expected that there will be a need to distribute more interview forms as not all people will agree to participate in this research.

3.6 Data Instruments

The data instrument for the current study is a structured interview. The researcher will deliver the interview in person to prevent or control the influence of the participants' bias. The main benefits of a structured interview are the ability to deal with a large group of respondents, the use of the same questions for all participants, the reliability of the data sources, and the capability to examine whether the respondents understand the topic under study. The questions will be designed to deliberately elicit participants' responses, as the formulation of the questions tends to

affect the quality and effectiveness of the reviewed data. The researcher participants will be provided with short answers after each question.

3.7 Ethical Aspects and Accessibility

The researcher will take into consideration all ethical aspects related to the data collection procedure. The interview participants did not get any financial incentive or any other types of reward. The researcher will also comply with the integrity and honesty principles in all the aspects of the research, accountable in conducting this research and collaborating with others, as well as show fairness and professionalism. Finally, the researcher will take full accountability on the research trustworthiness, adhere to any policies and regulations, and keep all the research data collected accurately.

3.8 Data Analysis Plan

As the sample population for the current study is comparatively small, no software will be used to analyse the collected data. The researcher will analyse the provided information and data in person, taking notes and reviewing the data several times if needed.