STRATEGIC CORPORATE SOCIAL RESPONSIBILITY IN MALAYSIA

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4 The role of corporate governance and corporate social responsibility in socio-economic development

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Introduction
The topic of socio-economic issues related to disproportionate income, poverty, lack of education, and disparities in health and employment continues to be debated globally, including in Malaysia. Although Malaysia has enjoyed one of the best economic growth records in Asia over the last five decades and successfully transformed to modern services in the 1990s, in line with its vision to be a fully developed country by the year 2020, a recent report suggests a journey towards a fully developed country may not materialise (Economic Planning Unit, 2015). Recent statistics by the Economic Planning Unit in 2015 indicate that there is still a low participation of female labour in the workforce (only 38%), unequal income distribution and disproportionate ownership of share capital among the ethnic groups, existence of poverty and hardcore poverty in society, inadequate skilled labour and skilled jobs on the market, youth unemployment, and wage recipients receiving salaries of less than RM3,000 per month.

The government of Malaysia in its Eleventh Malaysia Plan recognised companies as being one of the key enablers that could contribute towards better socio-economic development of society in Malaysia. This can materialise through corporate governance (CG) practices and corporate social responsibility (CSR) activities that not only embrace shareholders, but also maximise the value of other stakeholders as well as the environment in which they operate. While CG concerns the process and structure within companies in safeguarding resources and upholding accountability to create value for shareholders, CSR relates to the duties that companies have to the society in which they exist. It is important to realise that CSR activities are gradually becoming infused in the CG practices, thereby creating a balance between economic and social goals, and between individual and communal goals (The Cadbury Committee, 1992). Consequently, companies are behaving in a socially responsible manner and acting as drivers for the socio-economic development of stakeholders both within and outside the companies. The infusion has accomplished the alignment of the interests of individual companies and society. The role of companies’ CSR is fully recognised within the context of the New Economic Model (NEM) of Malaysia that intends to improve economic status as well as community development (Ismail, Alias, & Rasdi, 2015).

Good CG will transpire through accountability in managing business (Darus, 2016). The pillar of CG of companies act in accordance with stakeholders through the use of the best systems and processes of the company, management practices, and ethics, and decide in a responsible manner (Brockman, 1991). The essence of corporate governance, which results in social impact. Hence, companies’ CSR activities of society by providing the public with new employment opportunities through mentorship programmes, and activities are believed to have a great impact on the wealth, education, and skills of the people. This chapter discusses the topic on the core principles of CG and CSR activities, in particular, the company. The final section concludes the study.
The role of corporate governance and CSR


