

Perception of Employees of industries in Malaysia on Corporate Sustainability in Affecting Customer Confidence and Loyalty: A Case Study

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Abstract. This paper aims to study the perception of the employees of industries in Malaysia on their companies in applying corporate sustainability as a concept in creating an ethical brand that strengthen consumer confidence and loyalty. A set of eleven questions is developed in a survey based on two themes i.e 'corporate sustainability as a concept in creating an ethical brand that strengthen consumer confidence and loyalty' and 'reasons for businesses to incorporate sustainability concepts in their operations' to study the employees' perception on the company's sustainable business practices in their companies. The targeted respondents are randomly selected employees from 20 manufacturing companies and training services in Malaysia. The data obtained is analyzed and commented using spreadsheet analysis on the frequency and relative importance value. The results show good perception on their company's sustainable business practices in becoming an ethical brand with the shared values' of Malaysia being a country which supports Sustainable Development Goal initiatives (SDGs). The study also shows employees' perception on reasons for businesses to incorporate sustainability concepts in their operations are in line with the concepts in Sustainable Development (SD) of which economic aspects as the strongest perceived reason. The findings indeed support future research in transforming Malaysia's own domestic economy to a more sustainable direction.

1. Introduction

Corporate sustainability is becoming a mainstream concept globally, including in new and unexpected ways in the emerging, developing and post-centralized economies. Businesses that integrate sustainability into their operations are expected to be in positions of long term strength in terms of consumer confidence and loyalty. This is based on the perspectives from United Nations that a new paradigm in development thinking can be shifted by fully recognizing the central role of business [1]. In this 21st century, companies are engaging their strategic business goals with global development agenda such as Sustainable Development Goals (SDGs) through business model and practices as more Governments now advance corporate sustainability as a complementary solution to world problems [2]. Incorporating sustainability into key organisational processes such as reputation management also bring competitive advantage to the companies, as such reputation-building activities may maximize financial value [3]. This kind of gain in brand equity comes with the assumption that the consumers



has an ethical view of the world or has the same 'shared global values' in which society aims for economic, social and environmental goals [4].

For developing countries such as Malaysia, often people adopted the conventional view where there are important trade-offs in pursuing economic, social and environmental goals. For example, conventionally a society can aim to be rich, or it can aim to be equal but aims for more equality, it will end up less rich. It is feared that in such developing countries, the idea of an ethical brand i.e good sustainable business practices is far less important than getting goods sold at affordable prices even at the price of compromising the impact to social and environment. In the context of industries in Malaysia, these are the following questions that this study aims to answer:

- (a) Do customers intend to buy goods from brands that are known to have good sustainable business practices?
- (b) Do the employees from such companies themselves have good perceptions on the company's sustainable business practices or corporate sustainability policy?
- (c) Do the employees in Malaysia think corporate sustainability implementations carry benefits in building the global society based on the three aspects of sustainability (Societal, Economic and Environmental)?

The research aimed to analyse the perceptions from the employees themselves since they are the directly involved in activities executed based on the company's corporate sustainability policy. In this study the researchers assumed that implementation of corporate sustainability policy or sustainable business practices is the company's effort accountable for creating an ethical brand to the consumers which at the same time answering the call of Sustainability Development Goals (SDG) for socially inclusive and environmentally sustainable economic growth.

2. Review of the Literature

The United Nations Development Plan (UNDP) has initiated Sustainable Development Goals (SDGs) in 2000, which aim to end hunger and poverty in 2030 [5]. World leaders are creating a future where everyone has enough food, and can work and where living on less than USD1.25 a day is a thing in the past [6]. Sustainability Development Goals (SDGs) is a set of goals defined to guide the world's economic diplomacy in the coming generation [7]. The concept of Sustainable Development Goals (SDGs) was born at the United Nations (UN) conference on Sustainable Development, Rio+20 in 2012. The objective was to produce a set of universally applicable goals that balance the three dimensions of sustainable development: environment, social and economic or also known as the Three Pillars of Sustainability.

Sustainable development (SD) can be understood as a way to understand the world as a complex interaction of Economy, Social and Environmental and political system [8]. According to the Brundtland Report a series of measures should be taken by countries to promote sustainable development and among them, stand out: limiting population growth; guarantee of basic resources; biodiversity preservation; reduction of energy consumption. This meta-cultural framework of sustainable development emerged in an international context of bringing sustainability in a very unequal world, where the needs of poor countries are placed in a two-way interaction context. The framework urges us to have a holistic vision of what a good society should be. In achieving sustainable development (SD), the world citizen must be able to identify the shared global values to which the world should aspire. However, towards the end of the Millenium Development Goals (MDGs) which is the predecessor for SDGs many private sectors are still not having Sustainable Development (SD) on the agenda in their strategic plans. Consequently, companies were reluctant to spearhead such SD-oriented efforts and the drivers for the implementation of the MDGs are mostly governments [9]

Companies have begun to adopt the sustainability principles in their organizations since 1990s of which the first activities are related to the implementing of the eco-efficient activities and green innovations and subsequently the adoption of social responsibility practices and reporting [10]. In Malaysia, Bursa Malaysia plays a role in enhancing corporate transparency on environmental, social

and corporate governance-related issues among companies in Malaysia. In 2007, Bursa Malaysia is listing requirement for Private Limited Companies (PLCs) to report on their CSR initiatives but in practice, the Malaysian companies still have lack of incorporation of their sustainability to corporate strategies [11]. Studies from Harvard Business School found that most of the Corporate Sustainability Reporting (CSR) initiatives did this not increase the levels of disclosure on sustainability as majority of companies in Malaysia perceive CSR as philanthropic initiatives [12]

Today we have entered a new era where sustainable development is a central concept for our age. A sustainable corporation should create profits for its shareholders while protecting the environment and improving the lives of those with whom it interacts; therefore the measurement on corporation's success is not only by the financial terms, but also by the environmental and social objectives [13]. Companies must adopt good sustainability practices as part of reputation management and failure to that may result in destructive company branding, as people might not buy from them due to the 'disconnection' of the company shared values to the global values embraced by the consumers [14]

Global society is inter-connected as never before. Therefore, the stakeholders are sensitive to global perspectives on how goods are manufactured [15]. For instance, a piece of device manufactured in Malaysia has components made in Vietnam and in Germany as part of the supply chain management. Therefore, a brand labeled as 'made in Malaysia', from the perspective of sustainability development actually means 'made in mother earth'. The manufacturing industries ideally should operate on the same 'shared values' in order for the manufacturers and business to continue producing and marketing the goods that carry the same 'shared quality' of which in this study perceived as having an ethical brand. Imagine if the customers who share the same 'shared global values' believed that purchasing goods of ethical brand from these companies are vital to the future of this world, then ultimately all business and manufacturing sites will be driven to produce goods while adopting sustainable business practices as the driving policy [15]. The fact that businesses can provide transformative solutions co-existence with the ability to have profound impacts on areas including energy and climate, water, agriculture and food, corruption and gender equality provide a basis of ethical branding made of 'shared global values'[16].

3. Methodology

This study's major aim is to investigate the employees' perception on their companies in applying corporate sustainability as a concept in creating an ethical brand that can strengthen their operations with reputational impact and attract a growing pool of investors and loyal customers. Respondents for this survey are employees from selected manufacturing sectors, which fall into two categories i.e. product manufacturing and training services. Companies selected are located in Klang Valley, Malaysia (see Figure 1). In total, there are 31 respondents involved and all respondents are the direct employees of the selected companies. With this in mind, high perception is expected from the respondents as majority (68%) belong to the executive level which is assumed in this study as being involved in company's strategic plan and directives (see Figure 2).

The survey consists of 11 questions based on two themes i.e. Theme 1 is 'corporate sustainability as a concept in creating an ethical brand that strengthen consumer confidence and loyalty' and Theme 2 is 'reasons for businesses to incorporate sustainability concepts in their operations'(see Table 1 and Table 2). The ratings are made through Theme 1 using 5-point Likert scale with possible responses ranging from 'totally agree' to 'totally disagree' (see Table 1). For theme 2, respondents chose the given options for their employer to engage corporate sustainability in the company operations (see Table 2). The responses is clustered based on the three aspects of sustainability based on the definition in the Brundtland Report (Figure 3)

Table 1: Questions on Theme 1

Question	Descriptions
Q1	Creating a long-term brand value with some chosen sustainability initiatives is beneficial to the company's reputational implications
Q2	It is important for companies to effectively manage and measure company's reputation
Q3	A company must choose and decide on the elements of sustainability that are more likely to drive the company's brand value
Q4	In general companies in Malaysia are able to integrate sustainability achievements and economic results
Q5	In order to realize the integration of sustainability achievements with economic results, organizational changes must happen to achieve "shared value"
Q6	My company has the knowledge, technology and resources to measure the company's sustainability performance
Q7	Creating a long-term brand value with some chosen sustainability initiatives is beneficial to the company's strategic relevance
Q8	There is a relationship between real and perceived sustainability performance
Q9	Environmental, Social, and Governance (ESG) initiatives can affect a company's brand value and reputation
Q10	Employees in my company are applying sustainability strategies to their work and aware of its benefits
Q11	My company business is incorporating sustainability concepts into the day-to-day operations

Table 2: Questions on Theme 2

To reduce cost
To preserve resources
To comply with legislation
To enhance reputation
To differentiate
To attract quality employees
To satisfy customer needs
To meet stakeholder expectations
To attract capital investment
To capitalize on new opportunities
To increase transparency

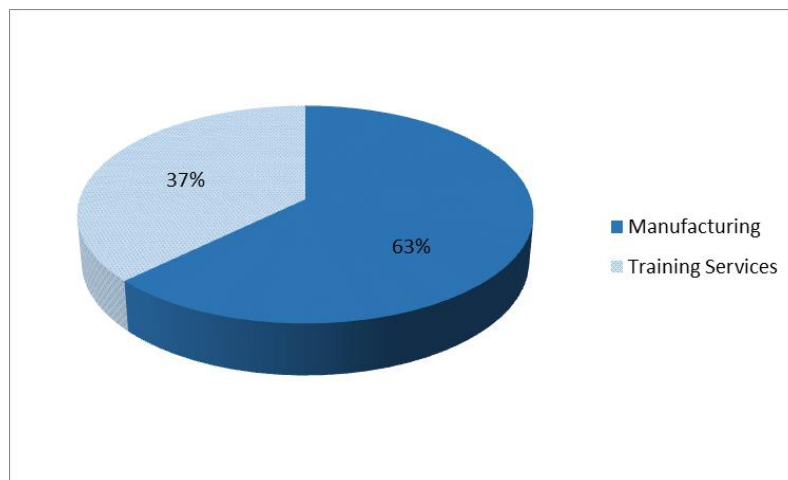


Figure 1. Profile of the industries

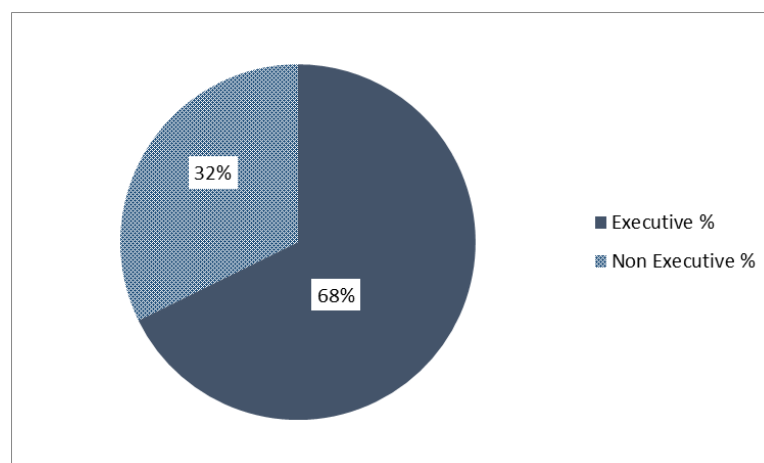


Figure 2. Distribution of respondents

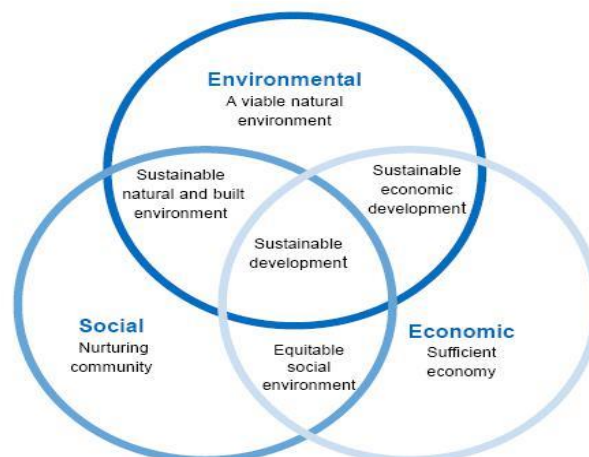


Figure 3. The three aspects of sustainability (based on the Our Common Future, also known as the Brundtland Report)

4. Results and Discussions

Theme 1: *'corporate sustainability as a concept in creating an ethical brand that strengthen consumer confidence and loyalty'*

Survey responses were manually scored (totally disagree =1, disagree =2, do not care/do not know=3, agree=4, totally agree=5) and entered into Excel spreadsheet [17]. Questions on applying corporate sustainability in creating an ethical brand that strengthen consumer confidence and loyalty is shown in Table 1. To show an overview of responses to the first theme 'corporate sustainability as a concept in creating an ethical brand that strengthen consumer confidence and loyalty' distribution of responses for all the related questions is plotted in Figure 4. The detail scores are shown in Table (3a) and (3b). The set of data in this theme is then presented in cumulative percentage where the responses of 'totally disagree', 'disagree' and 'do not care' are summed up as cumulative percentage and grouped as 'disagree' whereas the responses in agree and totally agree is grouped as 'agree' cumulatively (see Figure 5). It is observed that > 80% in cumulative percentage agree to the ethicality of their brand with regards to corporate sustainability practices (see Figure 6).

Table 3(a). Responses to *'corporate sustainability as a concept in creating an ethical brand that strengthen consumer confidence and loyalty'* (Question 1-5)

Question	Q1	Q2	Q3	Q4	Q5
totally disagree	3.2%	3.2%	3.2%	3.2%	3.2%
disagree	3.2%	0.0%	3.2%	6.5%	6.5%
do not know	9.7%	3.2%	0.0%	16.1%	9.7%
agree	67.7%	58.1%	74.2%	51.6%	58.1%
totally agree	16.1%	35.5%	19.4%	22.6%	22.6%

Table 3(b). Responses to *'corporate sustainability as a concept in creating an ethical brand that strengthen consumer confidence and loyalty'* (Question 6-11)

Question	Q6	Q7	Q8	Q9	Q10	Q11
totally disagree	6.5%	3.2%	3.2%	3.2%	3.2%	3.2%
disagree	9.7%	3.2%	3.2%	9.7%	16.1%	6.5%
do not know	19.4%	16.1%	19.4%	16.1%	6.5%	16.1%
agree	48.4%	71.0%	61.3%	51.6%	61.3%	54.8%
totally agree	16.1%	6.5%	12.9%	19.4%	12.9%	19.4%

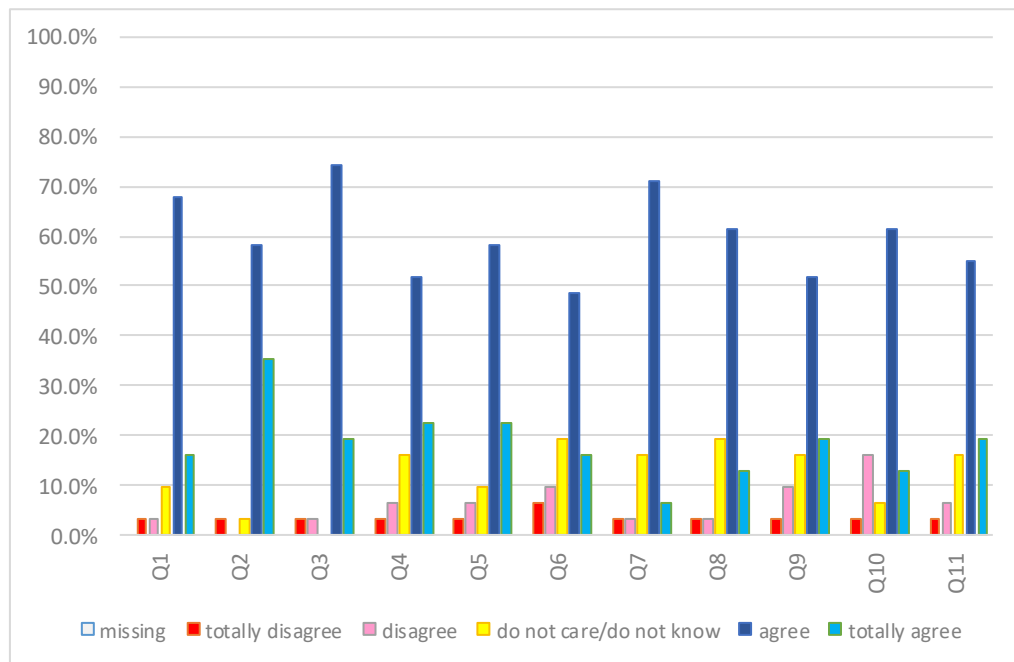


Figure 4. Distribution of responses for Theme 1

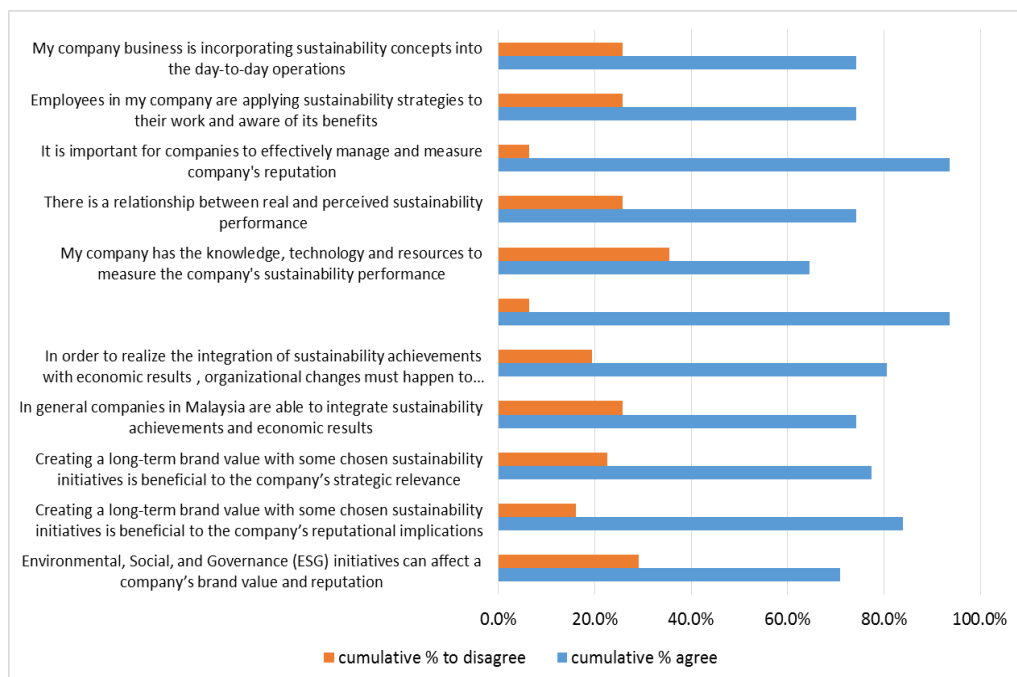


Figure 5. Cumulative of percentage of response for Theme 1

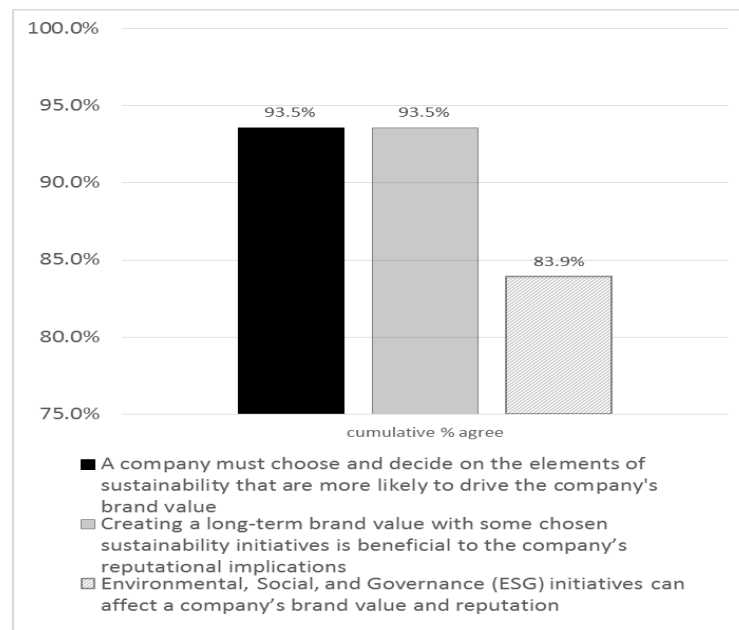


Figure 6. Top 3 questions with cumulative of percentage of response to 'agree' > 80%

To express the magnitude of the employees' perception in relation to the highest scale of the response i.e. totally agree, a relative importance score (11) is calculated by multiplying the total number of respondents (31) with 5 which is the score given to 'totally agreed' response. The responses from each question in Table 2 is manually scored (totally disagree=1, disagree=2, do not care/do not know=3, agree=4, totally agree=5) and divided by the highest relative importance score and recorded as a percentage (see Figure 5). An average value is calculated from these values to give a mean response (see Table 4). The results show that the highest mean of response in relation to highest relative importance score is the response 'agree' (47.9) to the theme 'corporate sustainability as a concept in creating an ethical brand that strengthen consumer confidence and loyalty' (see Table 4).

Table 4. Company's perceived ethical branding from employees in mean of percentage of response in relation to highest relative importance score

Response	Mean of response in relation to highest relative importance score
totally disagree	0.7
disagree	2.5
do not care/do not know	7.2
agree	47.9
totally agree	18.5

Theme 2: 'reasons for businesses to incorporate sustainability concepts in their operations'

Table 2 illustrates the questions responded to identify what the employees perceive as the reasons for businesses to incorporate sustainability concepts in their operations. Based on the results shown in Figure 7, a majority of respondents reported that they perceive 'to reduce cost' is the reason (64.5%). A little less than half (41.9%) perceive 'to preserve resources' as the reason and around one third (32.3%) chose 'to comply with legislation'. The reasons shown have been grouped according to the aspects of sustainability to observe which is the reason that is heavily associated with the aspects of sustainability (see Table 5). Results show that reasons for businesses to incorporate sustainability concepts are biased to the economic aspect of sustainability.

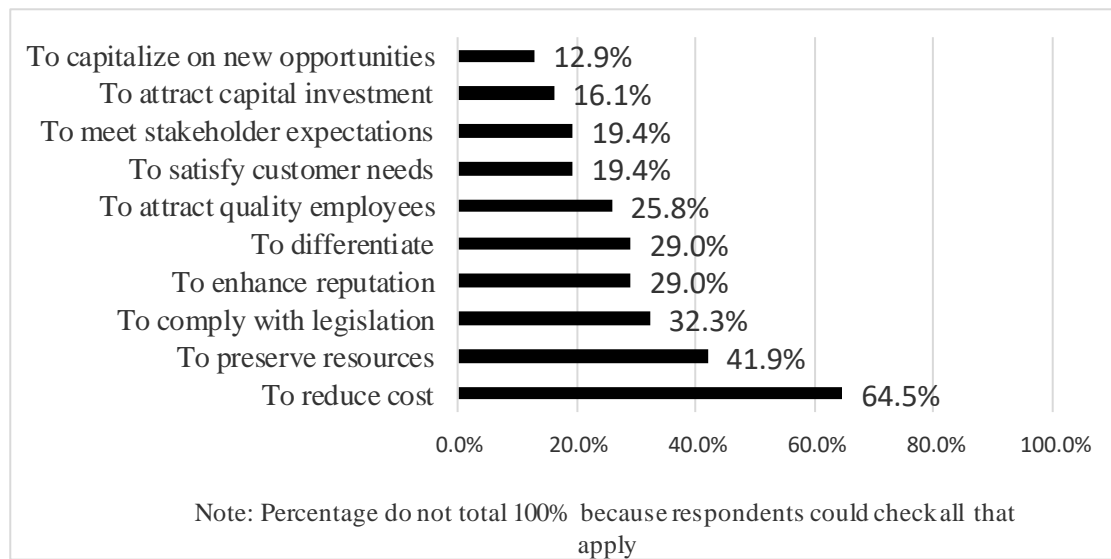


Figure 7. Reasons for businesses to incorporate sustainability concepts in their operations

Table 5. Cluster of reasons based on the aspects of sustainability

Aspects of sustainability	Reasons for businesses to incorporate sustainability concepts in their operations
Economic	To reduce cost
	To satisfy customer needs
	To capitalize on new opportunities
	To enhance reputation
	To differentiate
Environment	To attract capital investment
	To preserve resources
Social	To comply with legislation
	To attract quality employees
	To meet stakeholder expectations
	To increase transparency

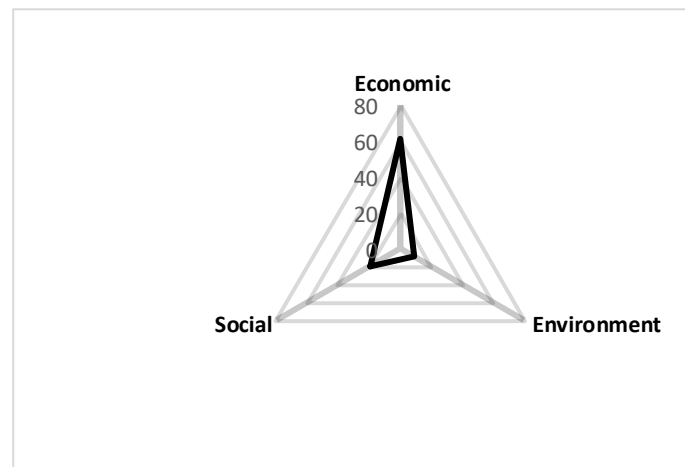


Figure 8. Reasons for businesses to incorporate sustainability concepts in their operations clustered as three aspects of sustainability (Social, Environment and Economic)

5. Conclusion

In summary, there are three main conclusions observed from the study. Firstly, more than 80% of the respondents in cumulative percentage agree to the ethicality of their brand concerning sustainable business practices. This suggests that employees in Malaysia in this study do notice that elements of sustainability initiatives are important to drive the company's brand value and reputation. This may be the motivation for companies to adopt corporate sustainability as fundamentals for their strategic plan.

Secondly, in terms of the reasons for businesses to incorporate sustainability concepts in their operations, it is interesting to see that majority of the respondents perceive economic reasons i.e. cost as the prime reason for businesses to incorporate sustainability concepts in their operations.

Thirdly, by clustering all the reasons for incorporating sustainability concepts into the three aspects of sustainability, economic reason is the most highly perceived reason for implementing sustainability initiatives among the employees. This suggests that perhaps in Malaysia sustainability-driven initiatives can be associated with some cost-down initiatives as a baseline for corporate sustainability.

After considering all the results, in general employees in Malaysia do have good perception on corporate sustainability in creating an ethical brand that has impact on strengthen consumer confidence and loyalty. This positive finding may transform brand creation process by considering corporate sustainability as a brand apart from other commercial aspects. This will also further inculcate the sustainability awareness culture among the engineers to encourage them considering sustainability concepts right from the product development phase i.e. concept and design. The product developed from this sustainability-driven thinking can be an education mediator to the consumers as businesses especially in this 21st century can provide transformational changes in the society. This will further educate the Malaysian society to appreciate sustainability-branded products as it a brand that carry not just money-worth value to consumers but also carry the bigger message to the world in building the global society as described in Sustainable Development Goals (SDGs) by the United Nations (UN)

Additionally, since economic is the highly perceived reason for incorporating sustainability initiatives in company practices in this study, perhaps more knowledge and education need to be introduced among employees to convey the real message of corporate sustainability. The economic driven or profit-oriented thinking that is known to be highly dominant in businesses need to be re-educated to a sustainability-oriented thinking in order to support the Sustainable Development Goals (SDGs) which aim to end hunger and poverty in 2030

The research has limitations as follows: First, it is a preliminary study generated only to a small number of industries in Malaysia mainly manufacturing and training and service providers. There is

also no assessment on the status of sustainability initiatives in the company policy of the respondents who were involved in the survey. Secondly, this study also does not consider the level of knowledge on sustainability among the respondents thus; the interpretation of corporate sustainability by the respondents is very general in this study. Further research especially in other non-manufacturing companies and their incorporation of sustainability concepts in product development is highly desired.

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