

**PRACTICE OF CORPORATE SOCIAL  
RESPONSIBILITY (CSR) IN  
SUSTAINABLE TOURISM DEVELOPMENT**

**JOSEPHINE LIEW MEI CHING**

**FACULTY OF BUSINESS, ECONOMICS AND  
ACCOUNTING  
UNIVERSITI MALAYSIA SABAH  
2018**



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**JOSEPHINE LIEW MEI CHING**

**THESIS SUBMITTED IN FULFILLMENT FOR  
THE DEGREE OF  
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**FACULTY OF BUSINESS, ECONOMICS AND  
ACCOUNTING  
UNIVERSITI MALAYSIA SABAH  
2018**



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## **DECLARATION**

I hereby declare that the material in this dissertation is my own except for quotation, excerpts, equations, summaries and references, which have been duly acknowledged.

8 August 2018

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## CERTIFICATION

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JOSEPHINE LIEW MEI CHING  
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## ABSTRACT

Corporate social responsibility (CSR) has gained extensive attention among researchers and there are various reasons to practice CSR. Yet, there is little understanding on the practices of CSR by oil and gas companies in Malaysia. The purpose of this study is to examine the practice of corporate social responsibility (CSR) and conceptualize involvement of oil and gas companies in sustainable tourism development in Malaysia. The study will also identify the CSR motivation drive in CSR practices. Mixed method was used to address the research questions. The reason of choosing mixed method in this study is that mixed method is able to answer research questions that other methodologies are unable to answer; provide better and stronger inferences; maximizing the strength and reducing the limitation of single method research. Findings show that Oil and Gas companies' CSR practices and involvement in sustainable tourism development focus on economic, philanthropic, community well-being, conservation and environment, license to operate, reputation and sustainability. It's realized that CSR keys motivation drive of oil and gas companies in Sustainable Tourism Development are environment, ethic, reputation, stakeholder pressure and license to operates. Furthermore, finding shows that there is a positive and significant relationship between CSR and Sustainable Tourism Development. However, organization reputation is partially mediate the relationship between CSR and Sustainable Tourism Development.



## **ABSTRAK**

### **AMALAN TANGGUNGJAWAB SOSIAL KORPORAT DALAM PEMBANGUNAN PELANCONGAN MAMPAN**

*Tanggungjawab Sosial Korporat (TSK) telah menarik perhatian yang meluas di kalangan para penyelidik; ada beberapa sebab mengapa TSK diamalkan. Namun, sangat sedikit pemahaman mengenai amalan-amalan TSK di kalangan industri minyak dan gas di Malaysia. Tujuan kajian ini adalah untuk meneliti amalan TSK dan mengkonsepsikan keterlibatan syarikat-syarikat minyak dan gas dalam pembangunan pelancongan mampan di Malaysia. Kajian ini juga cuba mengenalpasti isu-isu yang memotivasi pelaksanaan TSK di dalam amalan TSK. Kajian yang digunakan adalah melalui kaedah Gabungan (Mixed Method). Tujuan bagi memilih kaedah gabungan adalah kaedah ini mampu untuk memberi jawapan di mana kaedah-kaedah kajian yang lain tidak berupaya untuk memberi jawapan; mampu memberi kesimpulan/inferens yang kuat; memaksimumkan kekuatan dan mengurangkan pembatasan yang lazim di hadapi melalui kaedah kajian tunggal. Hasil kajian menunjukkan amalan-amalan TSK oleh syarikat-syarikat minyak dan gas dan penglibatan di dalam pembangunan pelancongan mampu memfokuskan kepada ekonomi, dermawan, kesejahteraan masyarakat, pemuliharaan alam sekitar, hak-hak untuk beroperasi, reputasi dan kemampuan. Hasil kajian juga menunjukkan bahawa kunci motivasi utama yang mendorong pelaksanaan TSK dalam pembangunan pelancongan mampan adalah persekitaran, etika, reputasi, tekanan dari pemegang amanah, lesen untuk beroperasi. Selain itu, hasil kajian juga menunjukkan terdapat hubungan yang positif dan signifikan di antara TSK dan pembangunan pelancongan mampan. Namun demikian, hubungan pengantara reputasi organisasi adalah separah signifikan di antara TSK dan pembangunan pelancongan mampan.*

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## LIST OF ABBREVIATIONS AND ACRONYMS

ACCA	Association of Chartered Certified Accountants
APEC	Asia Pacific Economy Corporation
CSR	Corporate Social Responsibility
DEFRA	Department of Environment, Food and Rural Affairs
EAV	Economic Value Added
EFQM	Not for Profit Membership Foundation
GDP	Gross Domestic Product
GRI	Global Reporting Initiative
HSE	Health, Safety and Environment
IPA	Interpretative Phenomenological Analysis
IPCCWGI	Intergovernment Panel on Climate Change 200
MII	The Malaysia Institute of Intergrity
MNCs	Multinational Corporation Companies
MNS	Malaysian Nature Society
NGO	Non-government Organization
PETRONAS	Petroleum Nasional Berhad
PLC	Public Listed Company
QUAN QUAL	Quantitative Qualitative
SPSS	Statistical Package for Social Science
STD	Sustainable Tourism Development
UN	United Nation
UNEP	United Nation Environment Program
UNESCO	The United Nations Educational, Scientific and Cultural Organization
Unicef	United Nation Children Fund
WSSD	World Summit on Sustainable Development
WWF	World Wildlife Fund





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# CHAPTER 1

## INTRODUCTION

### 1.1 Introduction

This chapter presents an overview of the research study on practices of Corporate Social Responsibility (CSR) in Sustainable Tourism Development in oil and gas companies in Malaysia. This chapter identifies the problem statement, research objectives, research questions, scope of study, significance of study and definition of key terms of this study.

### 1.2 Background of study

The past two decades had seen the rapid development of Corporate Social Responsibility (CSR). CSR has been a subject of intense debate among academicians and practitioners (Carroll, 1991). Several attempts have been made to identify the reasons why firms develop CSR strategy for instance competitive advantages, reputation improvements, stakeholder pressure, top management pressure and government reputation (Hall and Vredenburg, 2004; Kassinis and Vafeas, 2006).

The Economist Intelligent Unit (2005) asserts that Corporate Social Responsibility (CSR) is affecting the relationship between companies and their various stakeholder such as investors, customers, vendors, suppliers, employees, communities and governments.

A survey had been conducted by Economist Intelligence Unit (2005) and 65% investors responded to the survey. Findings shows that 85% agreed that CSR is important consideration in deciding and making investment decision. The three most important aspect of CSR are bottom lines (80%), ethical behavior of staff (67%), brand elements (61%), better staff morale (67%), good corporate governance (58%) and transparency of corporate dealing (51%).

However, cost implication (42%) and unproven benefit (40%) was the major obstacles faced by organizations to proceed with CSR. Findings also shows that companies focus on non-financial performance for instance customer satisfaction, employees' morale are likely to be more significant why companies pursue CSR. (Economic Intelligence Unit and Oracle Group, 2005)

Oil and gas companies have a strong impact towards business ethics and CSR. Their contributions encompass human rights, employees' rights, stakeholder rights, transparency, corruption, product stewardship, environment protection, community relations, principles and code of conducts (Frynas, 2005).

Apart from this, oil and gas companies play leadership roles in developing good corporate practices and code of conduct (Tuodolo, 2009). This evidences thorough active involvement in CSR of major world oil and gas Companies for instance Shell ChevronTexaco, ENI, Exxon Mobil, Oculental and Total FinaElf. Their significant contributions can be seen in global reporting initiatives, the Sullivan principles, the voluntary principles on security and human rights. Oil and gas company influence can be seen in developing countries in Foreign Direct Transfer (FDT), skills, technology, labors and accounting of large amount of state revenue, education, wealth, health and commerce (Tuodolo, 2009).

However, oil and gas companies have been the target of several negative anti-corporate or anti-capitalist, academicians despite their seeming contribution to the development of community (Tuodolo, 2009). Oil and gas companies thorough its upstream and downstream activities are a significant contributor to Malaysia economic growth. Malaysia Economic Report (2011) recorded that in 2009, the oil and gas sector contributed a total of RM68.3 billion or 13.1% of GDP, of which upstream activities including petroleum and gas represented RM39.5 billion or 7.6% of GDP and downstream activities including the petrochemical industry contributed RM28.8 billion or 5.5% of GDP. Given the rise in global energy demand and economic growth, the contribution from oil and gas industry is expected to increase by approximately 20% over the next 5 years to reach RM81.9 billion or 11.1% of GDP in 2015 (Malaysia Economic Report, 2011).

Upstream is expected to contribute RM43.0 billion or 5.8% of GDP whereas downstream is expected to contribute RM39.8 billion or 5.3% of GDP in 2015. Oil and Gas Companies in Malaysia today devotes attention to sensible issues related to the society and environment in which they operate through their CSR program (Malaysia Economic Report, 2011).

Despite all the contributions of oil and gas companies, they are perceived to be associated with environmental issues. Oil and Gas operation brings significant impact to the environments. For instance in Malaysia, the use of fossil fuels in order to meet the world's energy is resulting in increased contribution to greenhouse gasses. The emission per capita is approximately 5.9 million tons. This is more than 3 times greater than the levels recorded for the whole south East Asia region (PwC Analysis, 2014)

In the context of oil and gas companies in Malaysia, (Shell, 2012) corporate that Oil and Gas Companies have added a personal element to its CSR program. The old practice of merely giving financial donations and sponsorship has evolved to venturing into sustainable tourism projects. For example, Shell Malaysia through its various initiatives such as involving in partnership ventures with the local community and Raleigh International. This initiative is part of a sustainable project by WWF Malaysia.

It is becoming increasingly difficult to ignore that sustainability is the top priority of research. Sustainability is associated with financial, social and environmental performance (Elkington, 1994; McWilliams and Siegel 2001; Orlitzky et al., 2003). Recent evidence suggest that Corporate Social Responsibility (CSR) is the proxy of social and environmental performance where corporate financial is numerical in nature and easy to be observed (MC William and Siegel 2001).

### **1.3 Problem Statement**

Malaysia is a country that is rich in natural resources especially in oil and gas reserve. The Malaysian oil and gas industry is expecting oil production to continue climbing upwards from an estimated 625,140b/d in 2013 to a forecasted peak of 899,560 b/d in 2018 (Sbwire, 2014).

The discovery continues to bring multiplied revenue to the government. Although discovery of oil and gas could be a blessing, however, oil and gas industry is associated with a non-sustainable dilemma. The Oil and gas industry leads to significant negative impact to our ecology and environment for instance air pollution, waste water, soil contamination, noise, oil spills, damaged land, accidents and fire and incidents of air and water pollution.

In Malaysia, oil and gas companies are facing environment problem, for instance pollution of rivers, lack of proper space for disposal and associated greenhouse gas emissions, oil spills and this lead to a national issue (UN, Centre for Regional Development, 2014). For instance, the irresponsible act of dumping of used marine oil by unidentified vessel has been blamed for the recent beach pollution at Pulau Redang in 2017. This has bring negative impact to the marine life, caused environmental pollution and threatened tourism industry in Terengganu's idyllic islands which is the main revenue generator for the state (The Star, 2017).

During oil spills, marine mammals and reptiles are in high risks due to floating oil. Furthermore, Malaysia is a tourism destination famous with beaches and diving spots. The oil spills lead to significant impact to our tourism spots. Therefore, studies on sustainable tourism is important to call for proper management of environmental, social and economic aspects and oil and gas companies have the responsibility to assist the tourism industry and protect the environment (MEA, 2005).

Recent study conducted by Aguinis & Glavas (2012) highlighted that studies conducted in CSR covering individual levels of analysis generally focus on psychological theories and normative motives such as alignment to personal values, commitment, and awareness of CSR. Moreover, studies on institutional and

organizational theories emphasized on instrumental motives related to institutional theory and stakeholder theory for instance financial outcome, reputation, risk, reacting to stakeholder pressure and the resources view of an organization. (Aguinis & Glavas, 2012)

Aguinis and Glavas (2012) has reviewed 588 journal articles and 102 books and book chapters since 1970 – 2011. Findings show that 96% of the 181 articles published in 17 journals included in the content analysis focused on a single level of analysis and applies different theoretical orientation. Additionally, study on multilevel research hardly seen and carried out in oil and gas company, previous study concentrated on respective single level of research. There is limited study integrating institutional, organizational and individual levels and there is a need to address multilevel research that is capable of integrating these separate conceptual streams which involves the three levels, institution, organizational and individual levels.

There seem to be a lack of studies focusing in linking CSR with outcomes that includes mediation effect. Research shows that only 13 out of 181 articles measure mediation effect in previous research. Previous studies were concentrating on why organizations engage in CSR. However, observation on what happens as a result and the conditions under which result are more or less likely is still lacking in CSR research (Aguinis & Glavas, 2012). Previous mediators of CSR were limited to stakeholder relations, firm intangible resources, and managerial interpretation of CSR as an opportunity, employees' perception of visionary leadership and organizational identity and pride (Aguinis & Glavas, 2012).

Finding shows that only 4% of the articles from 17 journals focused on individual levels. A better understanding on the individual levels predictors is crucial and might influence individual to carry out CSR activities. The scope of individual CSR covers firm attractiveness to prospective employees (Turban and Greening, 1997), retention (Jones, 2010) and engagement (Glavas and Piderit, 2009). In oil and gas company, management commitment towards CSR is crucial and should be address. Study on management commitment was conducted by (Weaver, Trevino, Cochran, 1999a, 1999b). Study Show that management or leaders play important roles in influencing employees. Management was perceived as role model and seen

as trustworthy. There is lack of study on how management commitment could influence the organization motivation towards CSR. Study on micro Organization Behaviors, Human Resource Management and Industry - orientation psychology research on CSR might contribute to the CSR body of knowledge (Aguinis and Glavas, 2012).

A multilevel CSR agenda is not limited to use a quantitative data. A multilevel approach to CSR is able to accommodate qualitative studies (Aguinis et. al, 2009). 11%of the articles in the 17 journals included content analysis used as qualitative methodologies. Mixed method approach can be particularly fruitful in light of multilevel research agenda. Qualitative approach able to collect data at high levels of analysis for instance organization and institutional and quantitative approaches at lower level can be used to collect data at individual level of CSR. (Aguinis and Glavas 2012). Therefore, a mixed method approach is an interesting topic to discover.

CSR practices in many Asia countries are far behind western countries (Zakimi, 2005). Cultural and national differences are likely the factor that affects the CSR implementation (Gary et. Al, 2002). At present, there seems to be lack of academic based research studies in Asian countries especially in Malaysia that focus in linking CSR with the tourism industry and there is lack of study on the linkage between CSR and sustainable tourism.

Furthermore, Oil and gas companies in Malaysia have been the leader and champion of CSR (Vrubic, 2010). Most oil and gas company in Malaysia are categorized as Multinational Corporation Companies (MNCs) that have operation in a number of countries and have production facilities outside the country of origin. Oil and Gas Company have interesting business approach on CSR, they started as a principal and guideline towards CSR's implementation. Their aims are similar which is to recognize the need of making business decisions that demonstrates economic, social and environmental responsibilities for stakeholders (Vrubic, 2010). Among the best practice of CSR can be reflected by the commitment towards sustainable performance and development of their business operation in Malaysia. For instance Shell discloses that Oil and Gas Company in Malaysia approaches is predominant on safeguarding human rights, contributing to community needs, investing in training

and education, promoting arts and sports, and conducting business in a transparent manner (Shell Sustainability Report, 2012). Despite extensive contribution by oil and gas companies for the past 10 years, there is little research on how oil and gas companies can contribute to sustainable tourism development in Malaysia. By capitalizing on Oil and gas company as a champion in CSR initiatives from Asian perspectives, this contribute to the research field in CSR and sustainable tourism development.

Even though Malaysia has incorporated sustainable tourism principles into their tourism master plan, the transmission has been quite slow. A new trend of partnership emerges between transactional company and society actors is the collaborations or partnership through funding directly to community programme (Bendell and Lake 2000; Ncap 2000;Warren 2005). Multi stakeholder participation is crucial for tourism industry to be sustainable. The planning design encompasses the program, policy and practice must involve all levels especially national level in order to ensure understanding and full support and commitment from all stakeholders (Wahid, Amran, Haat, & Abustan, 1998). Moreover, there is little research on how Oil and Gas Companies can assist and participate in tourism planning and establishing programs, policies and practices to improve and overcome sustainable issues. A study on how Oil and Gas Companies can assist in developing tourism industry is vital in research.

Therefore, it is interesting to discover how oil and gas companies can assist in developing sustainable tourism through their CSR program in Malaysia. Furthermore, at present, there seem to be lack of study linking CSR and Sustainable tourism development in oil and gas companies in Malaysia.