



AENSI Journals

Australian Journal of Basic and Applied Sciences

ISSN:1991-8178

Journal home page: www.ajbasweb.com



## Corporate Social Responsibility: What Has it Got to do With Genting (Malaysia) Berhad's Sustainability?

<sup>1</sup>Rosmini Omar, <sup>1</sup>Lai Yeng Chai, <sup>2</sup>Elias W. Saad

<sup>1</sup>Lecturer, International Business School, University Technology of Malaysia, Kuala Lumpur, West Malaysia; Adjunct, College of Business, Minot State University, North Dakota, USA

<sup>2</sup>Daher Group of Companies, Lebanon

### ARTICLE INFO

#### Article history:

Received 12 January 2014

Received in revised form 20

March 2014

Accepted 25 March 2014

Available online 2 April 2014

#### Keywords:

Corporate Social Responsibility, gaming business, business survival and sustainability

### ABSTRACT

This paper elucidates how a humble entrepreneurial venture, namely Genting Berhad in the gaming industry successfully evolves in tandem with its corporate social responsibility (CSR) endeavors in an emerging economy which predominantly practice moderate Islamic culture. We compare and contrast Sethi's, Carroll's CSR frameworks, as well as Maslow's motivation theory to reflect more than three decades of Genting Berhad's philanthropic behaviors as it dynamically traverse business growth and sustainability. Our analysis is based on corporate reports and interviews. From this perspective, we propose that a case of intelligent philanthropy in which firms uniquely champion corporate social responsibility (CSR) could lead them to thrive in the long run. The chaos and uncertainty to survive and sustain a business may be succumbed by entrepreneurs' abilities to develop the strategy to compete, manage resources or create and innovate. Yet, allowing for CSR to rise above those other actions may engender a more authentic sustainability.

© 2014 AENSI Publisher All rights reserved.

**To Cite This Article:** Rosmini Omar, Lai Yeng Chai, Elias W. Saad., Corporate Social Responsibility: What Has it Got to do With Genting (Malaysia) Berhad's Sustainability?. *Aust. J. Basic & Appl. Sci.*, 8(3): 426-431, 2014

## INTRODUCTION

Empirical evidences, as well as plethora of literature and practices regarding Corporate Social Responsibility (CSR) matured lucidly within the sphere of western, well-developed nations since the early 20<sup>th</sup> century. In such settings, theories and practices richly synchronized; explaining tremendous growth of understanding toward CSR (example: Carroll, 1999; 1991; Sethi, 1975; Visser, 2005; Lozano, 2008; Ferrell *et.al*, 2011). Yet, not much theory development and illumination of CSR practices in eastern, emerging economies or developing nations are canvassed. Could this signal the lack of CSR practices among business entities of these nations? Or, could the enterprises have engaged in CSR contexts? Whereas, it is the empirical efforts that have yet to capture, explore and examine such dynamics. Such a lapse between practices and theories may generate an eclipse in understanding CSR growth in these particular settings.

The purpose of this paper is to unearth the unique case of Genting Berhad in Malaysia. Both the firm and nation has been an interesting case to analyze. Genting Berhad, is well-entrenched, and known as a gaming business in Malaysia. Within the purview of this paper, we define the 'gaming business' as composed of casinos, gambling and other amusement activities. Nonetheless, Malaysia is regarded as one of the prominent moderate Muslim countries for more than a decade. Casino and gambling are prohibited among Islamic practitioners as it may lead a person to depend on luck rather than true labor and productivity (Qardawi, 1982). In this setting, while gambling and casino businesses are questioned for their fruits of goodness to a society (example: Hartung, 2011), Genting Berhad continues to sustain profitability (Genting Berhad Annual Report, 2008; 2009; 2011). Simply stated: How has CSR got to do with Genting Berhad? Does Genting Berhad (Malaysia) sustaining business existence have relationships to its CSR behaviors that impact the nations? If yes, in what way, and to what extent?

In this paper, we analyze CSR performance of Genting Berhad through the lens of external stakeholders. The next section discusses few frameworks of CSR external analysis. The third section elaborates on Genting Berhad and analyzes it from the perspective of CSR external analysis. The fifth section reflects the analysis and finally discusses enhancement of CSR for Genting Berhad.

**Corresponding Author:** Rosmini Omar, Lecturer, International Business School, University Technology of Malaysia, Kuala Lumpur, West Malaysia; Adjunct, College of Business, Minot State University, North Dakota, USA  
E-mail: rosmini.omar@minotstateu.edu

### **Frameworks for Understanding CSR:**

Continuous streams of insights on CSR engender enrichment for framework development. This occurs from both the perspectives of internal and external analysis for organizations. While internal analysis of CSR examines organizations' efforts toward rationalizing ethics and governance in all aspects of its organizational mission, vision, culture, systems and processes, the external analysis looks into how the firms embrace the concerns of all involving stakeholders such as the government, partners, suppliers, special interest groups, consumers and customers. The trajectory of intellectual thoughts that initiated from Bowen (1953) to Farrell *et.al* (2011) track notable contributions in terms of definitions (example: Johnson, 1971; Steiner, 1971), dimensions (example: Sethi, 1975; Carroll, 1999); theories (Drucker, 1984; Wood, 1991); measurement and operationalization of frameworks (example: Abbot *et.al*, 1979), including contexts (example: Visser, 2005). In a bigger perspective, all these works expand Milton Friedman's debate that the CSR of a firm is only to reinforce profits sustainability (1970). Taken into a much current context of organization, McAlister *et.al* (2008) re-establish the fact that firms, in general applies "strategic CSR" in materializing the economic, legal, ethical and philanthropic expectations of society.

Within those strands of definitions and concepts, one can see that the process of finally defining CSR is arduous. The concepts are bridged and developed overtime. Among the works that reflect generalizability and flexibility are Carroll's pyramid of CSR (1999), and Sethi's dimensions of corporate behavior (1975). Not to argue that other works are inflexible, but these two are crystal clear in explaining that CSR concepts and measurements should be applicable across time, culture, setting and characteristics of both organizations and their stakeholders. This paper only focuses on these two main theoretical contributions in examining Genting Berhad, Malaysia interactions with its external environment.

In his work of defining CSR, Sethi (1975) coins the dynamics of corporate social behavior within the spectrum of three components. The first component is Corporate Behavior as *Social Obligation*. In line with Friedman (1970), Sethi positions that at this lowest point CSR, firms 'compete for resources in the marketplace within the legal boundary of their socio-cultural system'. In the next stage of commitment, firms demonstrate their corporate behavior via the *Social Responsibility*. At this level, firms act 'in congruent with prevailing social norms, values and performance expectations' (Sethi, 1975). At this point, Sethi reflects on behaviors of Japanese and American firms, while proposes the idea that such entities should 'step ahead of time' in fulfilling needs of society before those necessities are legally forced upon them. Finally, Sethi (1975) views the final stage of Corporate Behavior as the most critical. Firms incorporate this *Social Responsiveness* when they act proactively according to anticipated waves of change that relates to social needs among stakeholders, either locally or globally. Has Genting Berhad, Malaysia achieves such a stage of *Social Responsiveness*? This will be discussed within the progress of this analysis.

Another concern of this paper is to find points of similarities between Sethi's work and Carroll's. Both in a similar fashion, define CSR behaviors and performance from the onset of commitment level. However, Carroll separates such levels into four, instead of three as defined by Sethi. At the *Economic Level*, Carroll suggests firms contribute to society via employment, income, profitability and economic goods. At the *Legal Level*, firms show commitment to obey legal requirements set by specific stakeholders, namely the government. These two stages concur with Sethi's characteristics of *Social Obligations*. The first stage of Carroll's pyramid is also in line with the ethical theory of *consequentialism* and *utilitarianism* (Mill, 1998; Bentham, 1996). In the third stage, Carroll postulates the firms effort toward embracing principles of justice and fairness. This is a stage in which this paper views as harmonious with the ethical principles of *deontology* as well as *Kantian* ethics (Kant, 1964). Finally, at level four, known as the discretionary phase, according to Carroll, firms demonstrate philanthropic or voluntary sets of actions toward creating orchards of fruitful benevolence for their society long-run well being. This level somehow coincides with Sethi's characterization of *Social Responsiveness*. While Giovanola (2009) terms this as "*humanized business*", Solomon (1984) coins it as eudemonia or virtue ethics.

### **Genting Berhad, Malaysia and its CSR Ascend:**

In shedding CSR at Genting Berhad, Malaysia, one needs to trace it from its historical beginning. The founder, Lim Goh Tong started to develop a 20-kilometre mountainous terrains, foothills and summit of Mount Ulu Kali as early as 1965. His company initially rose as a hotel and casino in July 1968 (Genting Group Report, 2011). Lim developed Genting Berhad mountain resort with very little assistance from the government (Genting Group, 2011). His firm adhered to the law to renew the gaming license every three months. It was a time in which Malaysia struggled to develop its economy within its early years of independence. The nation breathed within the league of less-developed nation, and hence any sense of entrepreneurial ventures that strategically could lever the nation's economy was a winning foundation. The government of Malaysia at that time viewed Lim's mountain resort as a growth opportunity for the tourism industry because it provided a 'refuge from tropical heat', coupling with a gaming license (Genting Group, 2011). In fact, Lim's business was also supported by British colonials. From the perspective of Carroll's pyramid of CSR and Sethi's dimension of corporate behavior, this is the *Economic Level* (Carroll, 1999) or *Corporate Behavior as Social Obligation* (Sethi, 1975).

Genting Highlands Resort emergence came at the right time when Malaysia was in need of a local entrepreneurial venture which could provide employment for the people and provide income for further socio-economic development for the nation.

Chronologically from 1968 to 2012, Genting Berhad consistently reflects CSR for both the *Economic Level* (Carroll, 1999) and *Social Obligation* (Sethi, 1975). In evidence, Lim's entrepreneurial venture that began with the mountain resorts and casino, spurred into various strands of other businesses, namely: 1) hotels and golf resorts chain (Awana Chain Resorts), 2) property development and plantation (Asiatic Development Berhad), 3) cruise (Star Cruise), 4) electricity and power generation, 5) oil and gas exploration and production, as well as 6) paper and packaging (Genting Sanyen). At the primary stage of CSR performance, all these business supported Malaysia leap from a low-income to a middle-income country by the decade of the 80s via revenues, specifically taxes and employment to Malaysia.

In between the trajectory of business survival and sustainability, Genting Group not only depicts the first level of Carroll's CSR pyramid (or Sethi's first and second level of CSR obligations), but also enhances toward demonstrating *ethical and philanthropic responsibilities* (Carroll's *CSR pyramid*). In similar pattern, this is Sethi's essences of *Social Responsibility*. In the midst of 1980s, Genting Berhad underwent a restructuring exercise. It was listed in Malaysian Bourse Securities, and in a deeper context, Genting Berhad relinquished 30% of its shares to indigenous Malay entrepreneurs. This effort portrays the management sensitivity to Malaysia's New Economic Policy at that time, in which all firms in Malaysia are required to generate a minimum 30% equity stake to Malay companies. The New Economic Policy (NEP) strategizes to eradicate poverty and restructure identification of race based on vocation. Before the NEP that began in 1966, there was a total absence of strong Malay entrepreneurial class (Clutterback, 1984). By agreeing and following to such policies, we posit that Genting Berhad acquired the awareness toward the *principle of justice and fairness*, discussed within Carroll's *ethical level* and Sethi's *Corporate Social Responsibility* component. The management, led by Lim Goh Tong consistently reviewed their actions in order to keep pace with social expectations, thus generating higher legitimate acceptance by the public despite the nature of its casino and amusement business.

Still Within the context of *ethical level of Carroll's* and *Sethi's Social Responsibility*, the society could see Genting Berhad's involvement in environmental sustainability quest. For instance, all subsidiaries constantly reviewed and adapted environmental management systems with the focus on pollution, waste, and green technology. Concerns on safety and health for both internal customers (staff) as well as external customers included issues of high engagement in safety and health. Yearly surveys and training reflects their consistent efforts (Genting Group, 2011).

There were sense of proactive approach in capturing society's needs as we looked further upon Genting Group's performance and behavior. For example, as the existing government of Malaysia focus on innovation and knowledge economy to rise in becoming a high income nation by 2020, Genting Group has already embraced essences of technology and innovation in its mission statement. The company states clearly in its homepage: "We will be committed to innovation and adoption of new technology to achieve competitive advantage" (Genting Group, 2011). This is translated in the business groups' renewable energy pursuance, research and development as well as robust international business expansion in various regions (example: Resort World Singapore, plantations and property in Hong Kong as well as establishment of Genting United Kingdom).

Eventually, has Genting Group reached the final phase of *Sethi's Social Responsiveness* as well as *Carroll's philanthropic or discretionary level of CSR*? To a certain extent, yes it has. Against the landscape of Malaysia legal requirement, companies must report their CSR activities and practices at the point of listing on the Securities Bourse. This became a requirement in the decade of 2000s. However, tracing back Genting Annual Report (1999- 2009) as well as a recorded interview with an ex-Chief Operation Officer of one of Genting Berhad's subsidiary companies, this paper founds that Genting Berhad has been involved in community services even at its early humble beginning in the 1970s. This include consistent provision of foods and other basic life necessities to orphanage, old folks home, disability centers and natural disasters' victims (such as the Tsunami's incidence in 2007 and floods in the northern and southern of Malaysia). Many of these activities were not reported or largely promoted in local media. According to the ex-Chief Operating Officer: "I was the one who manage and ensure the lorries of foods, clothing and other basic things reached the needy. The owner of this company would want to keep it confidential. They have made big money for years. These giving to the poor could be a way for us to washed away our sins or anything that we did not realized occurred while doing business..."

There are also other known activities that Genting Group has philanthropically committed throughout the years, which may not directly related to its businesses. These include 1) provision of scholarships to a number of students (Genting Annual Report, 2000), 2) contribute monetary grants to research centers in the area of cancer (Genting Annual Report, 2002), economic (Genting Annual Report, 2003) and fertility (Genting Annual Report, 2005), 3) yearly donation to national sports centers, and 4) supports cultural and arts activities via local theatre houses and other programs. The annual reports of this company revealed spectrum of activities that explained its

involvement in socio-cultural development in Malaysia. This paper generates a Matrix of Carroll/Sethi's CSR framework, and Genting Berhad performance is depicted as below:

**Table 1:** Matrix of Carroll/Sethi's CSR framework and Genting Berhad CSR performance.

Carroll's CSR level Sethi's Social Obligations	Economic	Legal	Ethical	Philanthropic/Discretionary
Social Obligation	✓ Incorporation & development of business			
Social Responsibility			✓ Adherence to New Economic Policy- 30% stake to indigenous Malay firms ✓ Environmental management systems	
Social Responsiveness				✓ Donation to poor/special groups ✓ Monetary contribution for researches in critical areas- cancer, fertility, alzheimer, economy. ✓ Monetary contributions for sports; cultural and arts activities

### Reflections and Conclusions:

Genting Berhad groups of companies variably contribute to multiple stakeholders namely, the government, special interest groups, shareholders (by sustaining the value of their investment despite changes in economic policies and environment), other entrepreneurial partners (the Malay companies), non-profit organizations (such as the research and cultural centers). Nonetheless, is this enough? Based on the continuous streams of profitable ventures locally in Malaysia and abroad, CSR level at Genting Berhad should be increased. The fruits from gaming, amusement and casino should engender more positive long-lasting munificence to the society, rather than *strategic CSR*. This is particularly significant within the range of *Carroll's philosophical/Sethi's Social Responsiveness level*. This encompasses both quantity and quality of involvement. Sustainable gaming business such as Genting Berhad may leverage more if they consider several aspects.

First, the company has generate provision of scholarship to special groups within the society. The focus should be on students from low-income families, who may not be extremely brilliant, but have intellectual capacity and interests to pursue higher education. Firms like the Genting Group should also contribute to the development of life-long learning as this has not been specified in any of the annual reports. Issues of providing higher education to the poor and life-long learning practices are essential in countries pursuing for high-income societies.

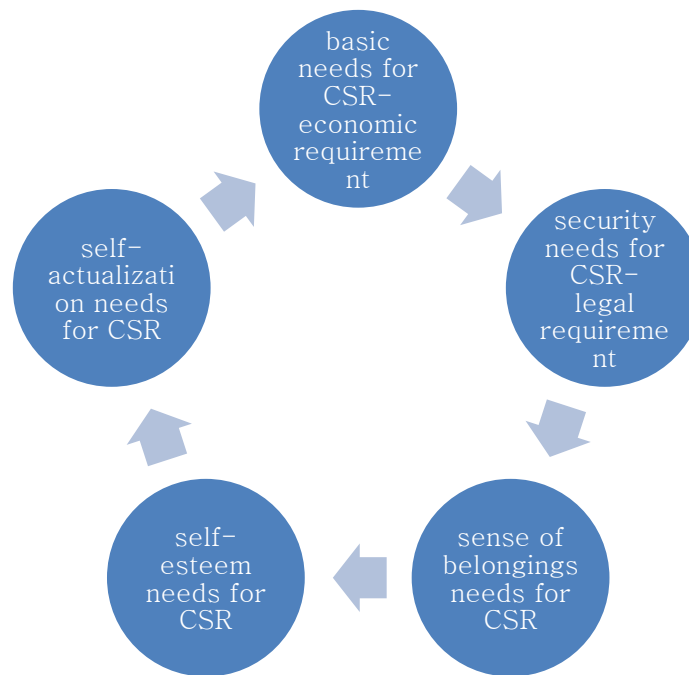
Second, the company has leapfrog from humble beginnings to becoming a multinationals. Such lessons of successful entrepreneurship could be shared to produce strings of new entrepreneurs via special programs in universities. This would contribute further to developing seedbeds of entrepreneurs among Generation Y in emerging economies. In fact, successful gaming businesses could also provide a much bigger endowment for higher learning and entrepreneurship schools, such as through professional chairs.

Aside from education, there should be other significant boost specifically in terms of unleashing the poors from such a state. This could be accomplished through provision of middle-income housing, complete with proper infrastructure of hospitals, roads and schools. Such actions could heighten the level of such firms' philanthropic/social responsiveness.

Upon reflection of Genting Berhad,, this paper views external CSR as somewhat comparable to Maslow's Hierarchy of Needs. If Maslow hinges on the motivation of human beings to survive, so is the drive for companies toward CSR. The following diagram explains these thoughts:

We find similarities between Maslow's theory and CSR activities due to the fact that organization can be likened to a "moral man" who is constantly subject to legal, cultural, economic and political scrutiny in its society. In the case of Genting Berhad, we can see that it sees survival of the business as a necessity and therefore consistently strives to sustain revenues to give back to shareholders and salaries to workers. To *feel secured* from being penalized by the government and society, Genting Berhad conforms to all legal requirements. To gain *a sense of belongingness* to society, we could see Genting Berhad's streams of involvement by contributing to research centers, aids to tsunami and flood victims as well as giving to the poor. This may be a pattern of activities which Genting Berhad feels could made it be 'welcome' by a unique society which views business of gaming and lavish amusement as unhealthy. Some of the Genting Berhad's CSR projects such as contributions to significant local research foundations, involvement in green technology and

continuous efforts toward attaining awards of leadership to a certain extent project ethical branding as well as image. Therefore, the firm has achieved the *self-esteem* needs for CSR. At the *self-actualization level* however, where firms should realize its 'full potentials' (Maslow, 1943), this paper views Genting Berhad as still in hiatus. Much larger and in-depth commitment, as suggested in the recommendation section would elevate Genting Berhad's position for *self-actualization*.



**Fig. 1:** Revisiting Maslow's Hierarchy from the perspectives of CSR.

Finally, although referring to the theory of Maslow's hierarchy, we intentionally change the triangle foundation with a circle flow. Many factors may change organization. Due to change in leadership, strategic needs of management, shareholders' wants and directives, chaotic political and economic environment, it is not impossible to see a firm that has reached full circle of *self-actualization* restart and revisit the *basic CSR requirements*. At a juncture, this is our hypothesis which merit further empirical examination. Hence, frontiers of entrepreneurship, CSR as well as business survival and sustainability require Big Science investigation.

## REFERENCES

- Al-Qardawi, 1982. The Law And Prohibited In Islam (English Translation). Islamic Book Service.
- Bentham, Jeremy, 1996. An Introduction to the Principles of Moral Legislation. Oxford: Oxford University Press. ISBN 978-0-19-820516-6. <http://www.la.utexas.edu/research/poltheory/bentham/ipml/ipml.toc.html>.
- Carroll, A., 1991. The pyramid of corporate social responsibility: Toward the moral management of organizational stakeholders. *Business Horizons*, July/August, p.39-48.
- Carroll, A., 1999. Corporate social responsibility: Evolution of Definitional Construct, *Business & Society*, 38(3): 268-295
- Clutterback, R.L., 1984. Conflict and Violence in Singapore and Malaysia: 1945-1983. Singapore: G.Brash
- Drucker, P.F., 1984. The new meaning of corporate social responsibility. *California Management Review*, 26: 53-63
- Ferrell, O.C., J. Fraedrich, L. Ferrell, 2011. Business Ethics: Ethical Decision Making and Cases, Houghton Mifflin, Boston. Chapter, 1 & 2.
- Friedman, M., 1970. The social responsibility of a business is to increase profits. *The New York Times Magazine*, September 13.
- Hartung, R., 2011. Should fruits of gambling do some good? *Malaysian Insider*, March, 8.
- Johnson, H.L., 1971. Business in contemporary society: Framework and Issues. Belmont CA: Wadsworth
- Genting Group (2011). "Genting Group: Growing from strength to strength. <http://www.genting.com/groupprofile/gb.htm>, retrieved 5/12/2011
- Genting Group Annual Report, (1999-2012). Review of Operations.

Giovanola, 2009. *Journal of Business Ethics*, Volume 88, Number 3, 431-444, DOI: 10.1007/s10551-009-0126-9.

Kant, I., 1964. *Groundwork of the Metaphysic of Morals*. Harper and Row Publishers, Inc. ISBN 0-06-131159-6.

Lozano, J., 2008. "CSR or RSC? (Beyond the Humpty Dumpty syndrome)". *Society and Business Review*, 3(3): 191-206.

McAlister, *et al*, 2007. *Business and Society- A strategic approach to social responsibility*. Houghton Mifflin, Boston. Chapter 1 & 2.

Maslow, A.H., 1943. A Theory of Human Motivation, *Psychological Review*, 50(4): 370-96.

Mill, John Stuart, 1998. *Utilitarianism*. Oxford: Oxford University Press. ISBN 978-0-19-875163-2. <http://www.utilitarianism.com/mill1.htm>.

Sethi, S.P., 1975. Dimensions of corporate social Performance: An analytical framework. *California Management Review*, 17: 58-64.

Steiner, G.A., 1971. *Business and Society*. New York: Random House.

Visser, W., 2005. Revisiting Carroll's CSR Pyramid: African Perspective. Sustainability Services, KPMG South Africa.

Wood, D.J., 1991. Corporate social performance revisited. *Academy of Management Review*, 16: 691-718.