

**THE INFLUENCE OF CSR PRACTICES ON
CSR-HR CAPABILITIES AND
ORGANIZATIONAL PERFORMANCE AMONG
MALAYSIAN PUBLIC LISTED COMPANIES**

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MALAYSIAN PUBLIC LISTED COMPANIES**

by

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بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

Bismi-llāhi r-Raḥmāni r-Raḥīm

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LIST OF ABBREVIATIONS

CSR V	CSR Vision
CODE	Code of Ethics
STATE	CSR Statement
EEO	Equal Employment Opportunity
EMP	Employee Responsibilities
CUST	Customer Responsibilities
COMM	Community Responsibilities
ENV	Environmental Responsibilities
CSR HR	Corporate Social Responsibilities Human Resource
OP	Organizational Performance

LIST OF DEFINITIONS

CSR Vision	CSR Statement is referred to organizations that have clearly defined and understanding of company CSR values and rules of conduct has produces quarterly or annual reports including social responsibility contents (Cooke & He, 2010).
Code of Ethics	Code of ethics is the comprehensive code of conduct, has a confidential procedure is in place for employees to report any misconduct at work and also conduct a programs that encourages the diversity of our workforce (Buciuniene & Kazlauskaite, 2012; Cooke & He, 2010).
CSR Statement	CSR Statement is referred to organizations that have clearly defined and understanding of company CSR values and rules of conduct has produces quarterly or annual reports including social responsibility contents (Cooke & He, 2010).
Equal Employment Opportunity	Equal employment opportunity is an employment practice where employers do not engage in employment activities that are prohibited by law (Cooke & He, 2010).
Employee Responsibilities	Rettab, Brik, and Mellahi (2009) stated that employee commitment refers to the extent to which a business unit's employees are fond of the organization, see their future tied to that of the organization and are willing to make personal sacrifices for the business unit. Employees make judgments about their employer's CSR efforts based on their observations of the firm's CSR actions, outcomes of the CSR actions, and the handling of the implementation process.
Customer Responsibilities	Organization has provide all customers with very high quality services, clear information needed to make sound purchasing decisions and satisfy the complaints of all customers about the company's products or services (Buciuniene & Kazlauskaite, 2012; Cooke & He, 2010).
Community Responsibilities	Companies demonstrate their commitment to the local community mainly through any aspects, for examples purchasing locally, stimulating the economic development in the communities where the company operate and donations for education and disaster relief (Cooke & He, 2010).

Environmental Responsibilities	Mazurkiewicz (2004) defined the environmental aspect of CSR as the duty to cover the environmental implications of the company's operations, products and facilities, eliminate waste and emissions, maximize the efficiency and productivity of its resources and minimize practices that might adversely affect the enjoyment of the country's resources by future generations.
Corporate Social Responsibilities Human Resource	<p>This study anticipate that all four CSR-HR capabilities dimensions are positively related to both CSR Policies and CSR Orientation and also anticipate that all four CSR-HR capabilities dimensions may play different roles in building awareness and enhancing employees toward organization CSR's effectiveness. Relatedly, prior research shows that the use of HR practices can lead to the positive outcome values of the organization performance.</p> <p>Study from Cooke and He (2010) stated with participate in CSR forum, workshops, government and NGOs CSR training and development will encourage the employees for better understanding of organization's CSR mission and objectives and provide employees with organization-specific skills with which to perform their work.</p>
Organizational Performance	Organizational performance referred to the CSR activities has a positive relationship to an organization to represent the performance. Organization must now evaluate CSR projects in light of their ability in producing not only social benefits to the community but also economic benefits and thereby, ensuring value for stockholders. By having social responsibilities, suppliers, business associates, and customers would have more confidence in the organization and therefore, increases sales and lead to profit maximization (Cooke & He, 2010; Jamali, Dirani, & Harwood, 2015; Oliveira, Ferreira, & Amaral, 2012; Rettab, Brik, & Mellahi, 2009; Richard 2009; Siwar & Harizan, 2006).

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PENGARUH AMALAN CSR TERHADAP KEMAMPUAN CSR-HR DAN PRESTASI ORGANISASI SYARIKAT TERSENARAI AWAM MALAYSIA

ABSTRAK

Isu Tanggungjawab Sosial Korporat (CSR) dan bagaimana Pengurusan Sumber Manusia (HRM) memainkan peranan penting di dalam melaksanakan keterlihatan CSR serius di dalam agenda pembangunan kerajaan Malaysia. Gabungan HRM di dalam aktiviti CSR penting sebagai perintis untuk merealisasikan Misi Nasional kerajaan demi meningkatkan kebajikan masyarakat. Badan-badan korporat seharusnya melihat bahawa CSR bukan hanya untuk membantu dan memberikan kembali kepada pekerja bahkan ianya meliputi kesemua tanggungjawab sosial termasuk masyarakat sekitar. Hasil kajian daripada *CSR Asia* yang menjalankan kaji selidik secara rawak terhadap Syarikat di Malaysia bertujuan untuk memberikan gambaran keseluruhan syarikat-syarikat tersenarai di Bursa Malaysia dan hasil kajian mendapati syarikat-syarikat ini memperolehi skor yang rendah, kurang kesedaran dan pemahaman konsep serta isu berkaitan CSR dengan operasi mereka. Untuk memastikan kesedaran CSR wujud di kalangan organisasi, peranan HRM perlu diberi penekanan khusus. Pengurus HR harus menjadi pelaku utama untuk memastikan aktiviti CSR yang direncanakan adalah betul, dirancang khusus dan beroperasi dengan jayanya. Dengan keupayaan, sumber dan kepakaran organisasi, HRM akan dapat mengasah kegiatan CSR seterusnya dapat digunakan dengan baik untuk menyokong kegiatan CSR. Oleh itu, kajian ini bertujuan untuk menyelidik sumbangan keupayaan HRM dalam memacu amalan CSR di kalangan Syarikat disenarai awam (PLC) di Bursa Malaysia. Lima persoalan kajian diutarakan dan menggunakan dua jenis analisis perisian iaitu *Partial Least Squares (PLS) SmartPLS M3 2.0* dan perisian Statistik

untuk Sains Sosial (SPSS) versi 22. Kaedah persampelan kajian diperoleh daripada 930 syarikat tersenarai awam (PLC) di Bursa Malaysia. Analisis menunjukkan 17 hipotesis diuji dan menunjukkan 9 hipotesis menyokong. Manakala analisis *Importance-Performance Matrix (IPMA)* menunjukkan tiga pemboleh ubah mendapat peratusan yang tinggi untuk prestasi iaitu *Customer responsibilities*, *CSR Statement* dan *Environment Responsibilities* manakala pemboleh ubah untuk kepentingan organisasi pula adalah *CSR-HR Capabilities*, *Environment Responsibilities* dan *CSR Vision*. Penemuan ini menunjukkan keupayaan CSR-HR untuk memeterai hubungan di antara Polisi CSR, Orientasi CSR dan Prestasi Organisasi. Dua dimensi polisi CSR iaitu *CSR Vision* dan *Equal Employment Opportunity* didapati mempunyai hubungan yang signifikan manakala untuk *Code of Ethics* dan *CSR Statement* adalah sebaliknya. Bagi orientasi CSR pula, dua dimensi mempunyai hubungan iaitu *Environmental Responsibilities* dan *Community Responsibilities*, manakala untuk *Employee Responsibilities* dan *Customer Responsibilities* adalah sebaliknya. Kajian ini membuat kedua-dua sumbangan teori dan praktikal, terutamanya dalam mengenal pasti hubungan antara amalan CSR, keupayaan CSR-HR dan prestasi organisasi.

**THE INFLUENCE OF CSR PRACTICES ON CSR-HR CAPABILITIES AND
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ABSTRACT

The issue of social responsibility and how HR plays an important role in executing CSR have become prevalent in the Malaysian government agenda. The combination of HRM in CSR activities is important to be seen as a pioneer and major prerequisite for the realization of national mission and improve the welfare of the society. Corporate bodies should take note that CSR is not just helping and giving back to employees only but covers all responsibilities including community life around. Bursa Malaysia commissioned CSR Asia conducted a CSR survey and analysed a random sample of company responses to give an overall picture of where listed companies in 2007 found that companies received low scores and lag far behind, lacking awareness and understanding of CSR concepts as well as CSR issues relevant to their operations. This study aims at investigating the contribution of the HRM capabilities in driving CSR practices among public listed companies (PLC) in Malaysia towards organizational performance. To achieve the objectives, five key research questions of this study attempt to answer. This study will apply two types of data analysis software namely Partial Least Squares (PLS) with SmartPLS M3 2.0 (2010) and Statistical Package for Social Sciences (SPSS) version 22. Therefore, the sampling frame of this study is derived from the list of 930 public listed companies in Bursa Malaysia. From the analysis, 17 hypotheses that have been tested showed that 9 hypotheses out of 17 hypotheses supported. For analysis of Importance-Performance Matrix (IPMA) showed that three highest performances belong to Customer

responsibilities, CSR Statement and Environment Responsibilities. However, the variables with the highest importance for Organizational performance adaptations are different namely CSR-HR Capabilities, Environment Responsibilities and CSR Vision. The findings also indicated that CSR-HR capabilities mediate the relationship between CSR Policies, CSR Orientation and Organizational Performance. Two dimension of CSR policies namely CSR Vision and Equal employment opportunity are found to have significant relationship but for Code of Ethics and CSR Statement are not significant. For CSR orientation, two dimension also found the relationship namely Environmental Responsibilities and Community Responsibilities but for Employee responsibilities and Customer responsibilities are not significant. This study makes both theoretical and practical contributions especially in identifying the relationship between CSR practices, CSR-HR capabilities and organizational performance.

CHAPTER 1

INTRODUCTION

1.1 Introduction

The issues of the corporate social responsibility (CSR) and debates on human resource management (HRM) in CSR have been seriously taken care of by Malaysian government. This reflects that the Malaysian government has taken the efforts to improve the employees' productivity as well as increase the organizational performance. According to 11th Malaysia Plan - *Anchoring Growth on People*, 2016-2020, (Unit, 2015), private sectors such as companies and industries will be encouraged to conduct CSR programmes as well as it enables them to collaborate with the government in the area of Research and Development. HRM is potentially able to provide a strategic and operational support to CSR, besides being able to produce collegial outcome values. However, the importance of integration between HRM in conducting CSR programmes, have not sufficiently and systematically explored in the research field in Malaysia. In addition, though many organizations did establish stand-alone CSR departments and appointed CSR Managers in implementing the CSR strategies in their respective companies, yet the potential role and involvement of HRM remain hidden. In connection with this situation, it is very interesting to understand further on how HRM acts as the drivers in CSR activities and practices that have been adopted to make the organization more efficiently and successfully (Buciuniene & Kazlauskaite, 2012; Jamali, Dirani, & Harwood, 2015; Oliveira, Ferreira, & Amaral, 2012).

The journey of this study begins with the importance of background of the study that discusses the HRM and CSR, followed by the scenario of HRM and CSR in Malaysia and the importance of HRM in CSR capabilities in the organizational performance. This study discusses on the research problems, research questions, research objectives, the scope and significant of the research. Besides, theoretical and practical significant will be discussed as well as this chapter highlights the thesis' organizations, the operationalization of key terms and finally, the conclusion of this chapter.

1.2 Background of the Study

1.2.1 CSR and HRM

Based on the past years' research done, the CSR activities have attracted attention as a subject towards the organizational performance. The Guru of CSR, Carroll (1979) assumed that the frequent definition used by studies in CSR area, is referred to the social responsibilities of business with the expected economic, legal, ethical and discretionary society organizations to be given specific time in the future. Well, besides making profits, business should be concerned towards the society, communities, environments or surroundings, employees' welfares, moral values and ethics. Although many organizations have understood the concept of CSR by incorporating this in their mission and vision together with their partners towards organizational goals, the process of integrating social responsibility during the conduct of their business has not been materialized effectively (Cooke & He, 2010; Lam & Khare, 2010; Rettab, Brik, & Mellahi, 2009; Oliveira, Ferreira, & Amaral, 2012).

In this scenario, organizations have paid growing attention to the role of HRM capabilities in executing the CSR (Cooke & He, 2010; Buciuniene & Kazlauskaitė, 2012; Jamali et al., 2015; Oliveira, Ferreira, & Amaral, 2012). Never to deny, HRM plays an essential role in achieving the aim mentioned above, as it is the significant technique to gain the support of the employees as well as their commitments, which are necessary for the implantation of CSR policies and practices. In addition, HRM also greatly influences the development of systems and business processes that support the delivery of effective, ready to nurture social ethics and achieve high performance towards the enculturation of corporate social responsibility (Buciuniene & Kazlauskaitė, 2012; Haniffa & Cooke, 2005; Jamali et al., 2015). Prior research efforts have shown increasing interest in the study of CSR and HRM practices, however the effort to empirically study the integration of HRM capabilities in the implementation of CSR has hardly been investigated so far (Buciuniene & Kazlauskaitė, 2012; Cooke & He, 2010; Hormatipour, 2014; Lam & Khare, 2010; Rettab, Brik, & Mellahi, 2009; Morgeson, Aguinis, Waldman, & Siegel, 2013; Siwar & Harizan, 2006; Voegtlin & Greenwood, 2016).

The developments in the CSR activities conducted by HRM, have enhanced responsibilities among employees to communicate and implement ideas and policies as well as to change the culture and behaviour of the centralization of the organization to achieve the objectives of the organization. It is important to identify the roles and responsibilities held by the employees during the involvement in the CSR programmes. CSR programmes do have positive impacts on the respective organizational performance, but promoting the importance of CSR programmes among employees is vital and essential (Buciuniene & Kazlauskaitė, 2012; Cooke & He, 2010; Lam & Khare, 2010; Marescaux, Winne, & Sels, 2013).

Besides, the implementation of CSR policies and practices is highly dependent on HR capabilities. According to Voegtlin and Greenwood (2016), the issues on CSR and HRM are dominated by two trends; 1) HRM as a part of CSR and 2) CSR as a part of HRM. There is a limited research focusing on either overview of the relationship or integration of the constructs. This was echoed by Oliveira and Ferreira (2012) in which there was an argument about the relationship between HRM and CSR while some believed that CSR is a part of the HR function, others argued that CSR is embedded in the sustainability agenda. Formulating and translating CSR strategy into actual managerial practices and outcome values remain as ongoing challenges for many organizations respectively (Jamali et al., 2015; Morgeson et al., 2013). Hereby, to overcome these challenges, HRM functions can be potentially deployed as important roles in supporting organizations to execute CSR practices. In fact, HRM is able to provide dynamic and interesting platform to support CSR strategy design as well as the implementation and delivery.

1.2.2 HRM and CSR in Malaysia

The issue of social responsibility and how HRM plays an important role in executing CSR has become prevalent in the Malaysian government agenda. Various efforts have been undertaken by the Malaysian government and other stakeholders to make this a reality and can be carried out successfully as stipulated in the 11th Malaysia Plan, 2016-2020 (Unit, 2015). To promote CSR, Bursa Malaysia launched its CSR framework for public listed companies in 2006, highlighting that CSR is more than philanthropy and community initiatives. The Bursa Malaysia's CSR framework defines CSR as open and transparent business practices that are based on ethical values and respect for the community, employees, environment, shareholders and other

stakeholders. CSR was designed to deliver sustainable value to society at large. Subsequently, in 2007, Bursa Malaysia announced that all public listed companies are required to disclose CSR activities in their annual financial reports. With that, public companies are required to include a CSR statement in their annual report; however there is no specific requirement on the contents. Bursa Malaysia has always advocated CSR as being a key to sustainability.

The involvement of HRM in CSR activities is important to be seen as a pioneer and major prerequisite for the realization of national mission which could improve the welfare of society. Corporate bodies should take note that CSR is not just helping and giving back to employees only but covers all responsibilities including community life around. Dato Seri Mohd. Najib also in his speech in June 10, 2010, in the 10th Malaysia Plan, 2011-2015 has made a clear description of public private partnerships in which this Government approach is in line with the efforts to encourage the private sector to invest in physical infrastructure and provide services such as skills and training. The government has acquired the services from the private sector in order to support this objective. This indicates that the private sector will compete to offer skills training services at competitive costs and government plays a vital role in encouraging the private sector to provide vocational and skills training as stated in 10th Malaysia Plan, 2010.

Employees in this Malaysia are always ready to seize the opportunity to equip themselves. Malaysian government is always keen to employ the workers who are competitive and creative to make changes in line with the government's aspiration to become an established and a developed nation by the year 2020. The first class mentality as well as the most important basis for the worker's physical and mental health care would be a major determinant of their productivity to face in the years

ahead. Nevertheless, productive workers will not be consequential without the application of effective CSR. In fact, the government continues to give commitment towards the welfare of the workers who are the lifeblood of the development and progress of the people and the country (Unit, 2010). The concept of CSR is not new to people and Bursa Malaysia launched its CSR framework for Public Listed Companies (PLC) in 2006 to highlight that CSR activities are more than philanthropy oriented and community initiatives (Malaysia, 2006; Shirley et al., 2010; Yam, 2012) which Malaysian PLC Bursa Malaysia advocated CSR as being the key to sustainability. Today, sustainability which supports stakeholder value creation should be the main focus of the respective company. Business and corporate behavior have demonstrated the level of understanding of the link between responsible business and increased business. At the same time, institutional investors, investment managers and financial service providers have identified that sustainability activities could integrate broader environmental and societal concerns into business strategies and performance, which can drive superior operating performance and be the hallmarks of good management and corporate governance. Apparently, sustainability is not new to companies and some aspects of sustainability are already embedded in the business practices.

As from the perspectives of HRM, it contains functions such as HR planning and development, selection and recruiting, compensation and benefits, training and development, retention systems, safety and health, work relations and others which will have an impact on its existing and future employees. The link between the effectiveness of HRM and related to CSR practices will be able to deliver the organization manpower requirement not only in terms of quantity but most importantly in terms of quality. Before any HRM and CSR programmes can be implemented and established, the strategy will need to be formulated. According to (Jamali et al., 2015;

Unicef, 2013; Yam, 2012), this strategy will require in-depth thoughts on the present and future needs of the organization.

1.2.3 The Importance of HRM Practices

The implementation of the policies and practices of CSR into actual management practices such as employees learning, work structure, equal opportunities, social inclusion and sustainable development is an ongoing challenge for most organizations (Buciuniene & Kazlauskaite, 2012; Cooke & He, 2010; Rettab, Brik, & Mellahi, 2009; Siwar & Harizan, 2006). This is because the interest of CSR is still new and it goes beyond environmental management and legal requirement. Due to the increase interest towards CSR among consumers, suppliers, investors and employees, the organizations are forced to address on the techniques to manage these activities as well as ways to allocate the resources to the stakeholders, according to (Buciuniene & Kazlauskaite, 2012; Cooke & He, 2010; Rettab, Brik, & Mellahi, 2009).

Apparently there is a strong organizational and community demand for research on CSR related issues, for instance environmental responsibility, sustainability and stakeholder management, including issues in HRM. Although, the issues of CSR have become important topics of the research, there are still very limited researches in this field focusing on the ability of HRM as an essential role in providing support for the organizations to adopt the practice. According to Morgeson, Agunis and Waldman (2013), HRM policies and practices can provide an interesting and dynamic support to the design and implementation of CSR strategies. The HRM policies and practices have been chosen on the basis that employees feature in

mainstream concerning CSR (Cooke & He, 2010; Rettab, Brik, & Mellahi, 2009; Strandberg & Consulting, 2009).

At this point, the relationship between organization and its employees can be considered as a precondition for CSR because an organization that adopts a high level of responsibility to its own employees is likely to implement CSR practices to its stakeholders as well as the social and natural environment (Buciuniene & Kazlauskaite, 2012; Jamali et al., 2015; Strandberg & Consulting, 2009). In turn, the concept of HRM is significant in promoting CSR and Noe (2007) has posited that HRM can be divided into policies, practices and systems that influence employees' behaviour, attitudes and performance. HRM practices also include the analysis and design of work, planning, recruiting and selection, training and development, compensation and benefit, reward, performance appraisal, performance management, employee relations, safety and health and others. Concurrently, Abdullah, Ahsan and Alam (2009) has pointed that HRM variables such as training and development, team work, compensation and incentives, HR planning, performance appraisal and employees security are found to be correlated with the business performance.

Practically, government has also identified that HRM is able to play an important role for the nation's vision and mission in which to be a well-developed nation by 2020. Managing HR has become critical to type of organizations, be it large or small, regardless of the industry performance. In fact, it is believed that, activities and capabilities, organizations, would not be able to achieve their objectives and sustain effectively, without efficient HRM programmes. Consequently most of the organizations, public listed companies, domestic companies and multinational companies/corporations (MNCs) in Malaysia are emphasizing on HRM and also treated HRM as a key for their success. With recent changing in competitive landscape

and opening up of the market to global competition, it has forced many organizations to have a considerable relook at their management and HRM practices. There is a growing conviction that organizations need talented and world-class HR in order to survive and thrive in the competitive global economy. The global upsurge of socially responsible investment, sustainability and inclusive growth, may have significant repercussions for HRM practices among the organizations. In particular, the organizations contend that such pressure towards sustainability may alter the current practice of HRM to becoming more focused on CSR (Buciuniene & Kazlauskaite, 2012; Jamali et al., 2015; Strandberg, & Consulting, 2009).

Taking this into account, indicated that HRM capabilities such as employee self-development training, recruitment and selection of employees, rewarding and encouragement, motivation, performance evaluation, employee safety rights and others would be critical in implementing the CSR. As a strategic player, HRM is expected to contribute to business strategy and then to move in a later stage to assist in the implementation of CSR strategy (Jamali et al., 2015). In consequences, the application of HRM capability into CSR practices may ultimately enhance the organizational performance.

1.2.4 The Importance of CSR-HR Capability in Organization Performance

Facilities and infrastructure as well as the ability of an organization in HRM practices and capability will always be the main agenda of government so that it can be absorbed by the workers to ensure they are at their best so as to increase productivity (Nadarajah et al., 2012; Strandberg & Consulting, 2009). HRM development has been long planned in order to achieve the status and goals of vision 2020. To realize Malaysia as a developed nation by 2020, as stipulated in the 11th Malaysian Plan 2016-

2020, the involvement of the private sector and local community as a whole with the government is important to ensure that Malaysia is a safe country by encouraging the activities of HRM which is related to CSR. The government hopes the private sector, corporate bodies and government-linked companies will play a vital role in the development and welfare of the people through CSR, according to (Jamali, et al., 2015), stated that with the increased awareness and the practice of global demand for better CSR, companies should recognize and carry out CSR in their management practices. To move forward, it is important for companies to understand on how to embrace the concept of CSR in the context of HRM. Although this concept is determined by the top management of a company, the stakeholders, employees, consumers and investors are also playing a key role in encouraging companies to adopt CSR practices. In this respect, the stakeholders can enhance their CSR role by requiring companies to become more transparent, especially in knowing the social and environmental performance.

As it was mentioned in previous studies, Buciuniene and Kazlauskaite (2012) have stated that organizations which do have responsibility and concern towards society as well as follow the strategic approach towards HRM, will be able to perform better in the outcomes and profitability. Indeed, Fong (2011) indicated that recruitment as well as selection, teamwork, training and development and performance appraisal, showed a positive relationship with knowledge sharing as perceived by the managers in the Malaysian manufacturing and service organizations. Furthermore, Huang (2011) also have demonstrated that there was an impact on the ability of the HR to the internal customers' satisfaction and that could subsequently improvise the organizational performance. Precisely to the point, organizations should develop HR policies and strategies, including selection and recruitment, training and development and

performance management, that reflect their beliefs and principles as well as sustaining positive relationships between management and employees. Therefore, most of the business organizations, public listed companies, domestic companies and multinational companies/corporations (MNCs) in Malaysia tend to focus more on HRM and also treat HRM as a key success but statistically the number of these companies is imprecise. It is important for Malaysian private companies to retain their employees into their organization performance to meet their ultimate goal and maximizing a company profit. The organization that is responsible for social activities believe that the employees will improve their working condition if the organization takes good care of them (Buciuniene & Kazlauskaitė, 2012; Oliveira & Ferreira, 2012; Voegtlin & Greenwood, 2016). Eventually, those organizations can be viewed as indicators of CSR programmes such as activities which reveal the organization's social responsibility towards the public via daily interaction and communication with customers, investors and stakeholders.

Moreover they can be seen as indicators of CSR such as activities exposing the organization's social responsibility to the public throughout their daily interaction with customers and stakeholders. Therefore, a question pointed out at this area on how these two fields, for instance CSR and HRM are interrelated and the level of impact towards their organizational performance. The other challenges would be, many organizations have established a separate CSR departments or units, and they did appoint CSR managers to analyse and improve the design and implementation of CSR strategies, hence the potential role and involvements of HRM remain obscure. Eventually, HRM's role should be the only condition for CSR to operate successfully, but its aim to explore the capabilities of HRM, their resources and expertise such as those developed and sharpened in the areas of recruitment and selection,

communication, training and learning development, performance management, career development and compensation & benefits could potentially be the advantage to support the design of thoughtful and strategic CSR initiatives and their successful implementation (Jamali, Dirani, & Harwood, 2015).

1.3 Problem Statement

1.3.1 Lack of Apprehension and Understanding of CSR Concepts

The Malaysian stock exchange had launched a status report of CSR in Malaysian public listed companies (PLCs) as according to Bursa Malaysia (Malaysia, 2008). Bursa Malaysia consigned CSR Asia to conduct a CSR survey and analysed a random sample of company responses to give an overall picture of the location for the listed companies in 2007. From over 1,000 companies listed with Bursa Malaysia, over 500 responded to the survey and a random sample of 200 companies were analysed for the report. Companies were assessed according to the Bursa Malaysia framework which was launched in 2006, mainly looking at four dimensions for CSR practices such as marketplace, workplace, environment and community with the companies receiving a score based on the quality of disclosure provided (Malaysia, 2006). The outcomes demonstrated that most companies received low scores and decreased far behind, lack of awareness and the failure to understand CSR concepts as well as CSR issues relevant to their operations. Six performance bands were established such as leading, good, above average, average, below average and poor. The main findings were stated in Table 1.1 below.

Table 1.1 *Six Performance Bands Survey*

No.	Performance Bands	Percentage
1.	Poor Band	11.5 %
2.	Below Average Band	28.5%
3.	Average Band	27.5%
4.	Above Average Band	19%
5.	Good Band	9%
6.	Leading Band	4.5%

Source: Malaysia (2008)

A recent study by Nasir et al. (2015) has found that most studies on CSR in Malaysia are widely focused on the disclosure while limited studies are found to be focused on the awareness and perception. Previous studies had shown that the involvement of companies in CSR activities would indirectly increase in the long term sustainability. This indicates that the companies should integrate CSR as part of their strategic planning as to be able to sustain in the market or industries for a long period of time. The level of awareness and the perception on basic concepts and functions of CSR have been conducted (Ahmad et al. 2003; Amran & Devi, 2007). A study from Krasodomska and Cho (2017) stated that another study from Abd-Mutalib, Jamil and Hussin (2014) mentioned 300 listed firms from 11 different industries using dimensions of four focal issues of CSR disclosure; environment, workplace, marketplace and community, as outlined by Bursa Malaysia, found that majority of the firms have some sort of social responsibility disclosure in their annual report. Using

the quality index score, the study indicated about the low quality while they mentioned that the content is rather limited to general information and qualitative information.

To ensure this CSR awareness exists among organizations, the role of HRM should be emphasized. HR managers should be the main actors to make things right on the CSR activities that are designed to operate successfully. With the ability, resources and expertise of the organization, HRM will be able to file CSR activities, for examples recruitment and selection, communication, training and development, learning and development, performance management, career development and compensation and benefits put to good use to support CSR activities according to the research conducted by (Buciuniene & Kazlauskaite, 2012; Cooke & He, 2010; Jamali, et al., 2015; Oliveira, Ferreira, & Amaral, 2012; Rettab, Brik, & Mellahi, 2009; Strandberg & Consulting, 2009). Apparently, organisations that did not practice CSR would experience potential loss of socially conscious consumers. This is because CSR impacts a business' ability to attract top talent and affects employees' job satisfaction levels and retention rates. In fact organisations that do not prioritize a CSR strategy would also experience many unethical practices.

1.3.2 CSR-HR Related Capabilities Insufficiency in Malaysia

In developing country especially Malaysia, many research have been conducted in the area of HRM practices, development, outcomes and others, (Abdullah, Ahsan & Alam, 2009; Boon et al., 2007; Fong, 2011; Tuah & Iskandar, 2011; Nadarajah et al., 2012). Similarly, many studies have been focused on CSR perception, disclosure, performance and others toward organizational performance (Amran & Devi, 2007; Abdul & Ibrahim, 2002; Siwar & Harizan, 2006; Yam, 2013). Regrettably, studies on HRM and CSR were investigated into separate studies.

Although CSR has been practiced by many companies in recent years, the contribution of specific HRM roles, HRM and CSR and CSR strategy development to organizational performance has been neglected (Strandberg & Consulting, 2009). This indicates that despite of CSR practices have been implemented by many organizations in recent years, the specific contributions of HRM practices to the execution of CSR have been overlooked. This may be due to lack of HR capabilities in executing the CSR practices. Therefore, this study served as the starting point to understand further on how CSR-HR related capabilities would be able to influence CSR orientation and policies on the organizational performance particularly from the context of Malaysia.

1.3.3 Lack of Awareness in CSR Reporting in Malaysian Context

Amran and Nabiha (2009) posited that from managers interviewed, only two possessed a good embrace of CSR concepts and valued the importance of CSR, this low level of awareness of CSR. Based on their overall findings, it can be assumed that CSR is still a very much misunderstood subject for the practicing organization's in Malaysia and that the increase number of reporters can only resolve its explanation in western mimicry. Amran and Nabiha (2009) also has posited that CSR in Malaysia as a developing country is increasing in terms of number of organizations that are actively practicing CSR. Nevertheless, CSR is still considered to be in its beginning stage in Malaysia. This is because, it is well understood that CSR concepts were introduced in Malaysia mainly through the practices of multinational companies and this concept is still yet to be adapted by the Malaysian companies (Nejati & Amran, 2009; Zulkifli & Amran, 2006).

The concept is fairly new for Malaysian firms and local communities, even though the practice has been in place for the past few years. This phenomenon has gradually entered into businesses in low and middle income countries, mainly through supply chains and other types of private business communications. According to Siwar and Harizan (2006) CSR has emerged as a form of sustainability governance which provides growth to the economic, environment and social progress. In 2004, 43% of organizations had reported to some extent in the social performance while 26% were imminent to do so anytime in future and most CSR commitments were expressed in terms of charity. This reflects that the current awareness on CSR has increased among organizations in Malaysia. Based on the findings from the studies of Tee, Roper and Kearins (2007), it indicated that organizations with a minimal or no reporting almost fear corporate social reporting, they resist it as they can view it as negative corporate image resulting as well it has potential to be exposed. Also findings from Wing and Yap (2011), have concluded that CSR is no longer new in Malaysia but more commitments and initiatives from the majority companies are needed, in order to achieve a sustainable business environment in the near future.

Based on the previous studies by Atan, Razali and Mohamed (2010), a descriptive result has revealed that the extent of Silver Book CSR disclosure is the lowest among the 33 Government Linked Companies (GLCs). The low level of reporting the items proposed in the GRI by GLCs under target and achievement disclosure category, suggests that adherence to this international wide accepted reporting guideline is still at the beginning stage. Most likely this is because many GLCs have yet to implement the Silver Book as a guideline in reporting their CSR initiatives back in 2005 and 2006. The longitudinal study for CSR disclosure on 100 companies listed on the Kuala Lumpur Stock Exchange (KLSE) Main Board indicates

that there was a low disclosure level of less than 30% of companies providing disclosure every year. The results showed that Malaysian companies prefer to disclose CSR using the form of narrative information in the Chairman's Statement, Financial Statement and the Director's Report. The most popular themes disclosed by the companies were human resources, community involvement and environment. In conclusion, most of the studies in Malaysia have widely focused on the disclosure and lack of awareness and perception.

1.4 Research Questions

This study aims at investigating the contribution of the HRM capabilities in driving CSR practices among public listed companies (PLC) in Malaysia towards organizational performance. To achieve the objectives of the study, the followings are the five key research questions:

Research Question 1: What is the relationship between CSR Policies and CSR–HR capabilities?

Research Question 2: What is the relationship between CSR Orientation and CSR–HR capabilities?

Research Question 3: What is the relationship between CSR–HR capabilities and Organizational Performance?

Research Question 4: Do CSR–HR capabilities mediate the relationship between CSR Policies and Organizational Performance?

Research Question 5: Do CSR-HR capabilities mediate the relationship between CSR Orientation and Organizational Performance?

1.5 Research Objectives

Specifically, the study is carried out in an attempt to accomplish the five main objectives as follows:

- i. To identify the relationship between CSR Policies and CSR-HR capabilities.
- ii. To evaluate the relationship between CSR Orientation and CSR-HR capabilities.
- iii. To identify the relationship between CSR-HR capabilities and Organizational Performance.
- iv. To analyse the relationship of mediating effect of CSR-HR capabilities in relation between CSR Policies and Organizational Performance.
- v. To analyse the relationship of mediating effect of CSR-HR capabilities in relation between CSR Orientation and Organizational Performance.

1.6 Scope of the Study

This study is conducted within the parameters of investigating the role of HR manager in adapting CSR-HR capabilities toward organizational performance among business organization in Malaysia. This study emphasizes on CSR Policies, CSR Orientation and CSR-HR Capabilities and their relationships to Organizational Performance. Even with increasing numbers of CSR disclosure and awareness in Malaysia research (Abdullah, Ahsan & Alam, 2009; Amran & Devi, 2004; Boon et al., 2007; Fong, 2011; Tuah & Iskandar, 2011; Nadarajah et al., 2012; Abdul & Ibrahim, 2002; Siwar & Harizan, 2006; Yam, 2013), there is a limited empirical study that

focused the links between CSR-HR capabilities toward organizational performance in public listed company. This study is conducted in collaboration with public listed companies (PLC) only listed at Bursa Malaysia website (www.bursamalaysia.com). Currently, the population of the study is listed in the Bursa Malaysia with 930 listed companies in the database. A set of questionnaires were distributed to the respondents through mail to measure the variables.

1.7 Significance of the Study

This study aims to analyse and identify the impact of CSR practices on organizational performance which mediated by the HRM capabilities to the practice of CSR among the organizations. This study can be divided into two significant perspectives which are theoretical contribution and practical implications.

1.7.1 Theoretical Contribution

This study provides insights into scope of interest of CSR and HRM practices. The elaboration of the CSR activities conducted in this study has identified the role of CSR-HR related capabilities on the practices towards organizational performance. By the use of Resource Based View (RBV) as the underpinning theory, this study attempts to establish a cohesive theoretical research framework that synthesizes CSR practices namely CSR Vision, Code of Ethics, CSR Statement, Equal Employment Opportunity, Employee Responsibilities, Customer Responsibilities, Community Responsibilities and Environment Responsibilities shall be governed by CSR-HR capabilities. It also attempts to investigate whether these variables, have the ability to merge various resources (tangible, intangible resources and capabilities) to accomplish towards organizational performance. The ability to parse RBV, the roles of CSR - HRM is

significant and vital in order to achieve effective CSR practices through programmes run by companies such as training and development, employment, recruitment and selection of staff qualified, the compensation and benefits provided and employee performance evaluation is made with the objective to ensure they play important roles in educating their employees towards organizational performance.

The contributions of the RBV theories help in building the performance between employees and organization which is more likely to lead to more cooperation and encourages people to look at a long term perspective on the organization. The resource based approach views competencies, capabilities, skills or strategic assets as the source of sustainable competitive advantage because of their values, limited, inimitable and non-changeable attributions according to Barney (1991). Capabilities are established in the ability to reconfigure and recombine resources and their key properties which include tactfulness, context specificity and temporality. So, in this study, capability as a firm's capability to deploy its assets, tangible or intangible, perform a task or an activity to improve the performance. Important characteristics of capabilities are that they are knowledge based, firm towards precise reasons and socially complex and they cannot be simply acquired in factor markets and so are developed in the firm (Huang, 2011).

Secondly, the connection of stakeholder theory in this study is intended to look at the extent to which these stakeholders carry out their roles and responsibilities to each other. These stakeholders are linked to an organization in many different ways while some connections will be more decisive than others. Stakeholder theory is a theory of organizational management and business ethics that addresses morals and values in management. Stakeholder theory can be used as a strategic management method based on ethical principles to fulfil stakeholders' expectation and avoid

possible pressures from the stakeholders to create a better society. Stakeholder theory proposed that companies need to take an account of and respond simultaneously to the interests of investors, employees, customers, the supply chains, business partners, communities and others who are touched by corporate behaviours. CSR is about managing the change at company level in a socially responsible manner in two different dimensions, internal and external. From the internal view, socially responsible practices are mainly dealing with employees and relating to issues, for instance investing in human capital, health issues as well as safety prospects and the change of management, besides the environmentally responsible practices that are mainly emphasizing towards the management of natural resources and its usage in production. External factors involve a wide range of stakeholders such as suppliers, customers, public authorities and NGOs which represent the local communities and the environment. Hence, this study has used both theories that contribute to the body of literature in correlating the relationship between CSR and HRM in the context of Malaysian public listed companies.

Next, this study focuses on the body of knowledge in terms of understanding further the CSR-HR capabilities. As mentioned before, most of the studies in CSR area either limit their investigation or overlook the relationship between HRM and CSR. While some firmly believed that CSR is a part of the HR function, others argued that CSR is encapsulated in the sustainability agenda according to (Buciuniene & Kazlauskaite, 2012; Jamali et al., 2015; Morgeson et al., 2013; Oliveira & Ferreira, 2012; Voegtlin & Greenwood, 2016). This study attempts to provide the platform by extending the actual scenario of CSR-HR capabilities. HR manager is targeted as a unit of analysis and also focused on the mediating, the role of CSR-HR capabilities as

a driver to provide better understanding on CSR practices and feasibility to shape the organizational performance.

In terms of theoretical contribution from the perspectives of CSR practices (Policies and Orientation) on CSR-HR capabilities, this study has contributed to HRM and CSR literatures, respectively. In connection to the HRM literature, this study has also provided examples of how CSR-HR capabilities can be operationalized and put into CSR practices. According to Jamali, Dirani, and Harwood (2015), CSR can be strategically capable to the business, when it is embedded wisely in the firm and supported by a strong HRM function.

1.7.2 Practical Contribution

This study is foreseen to be effective towards the organization's CSR practices, scholars and also the government policy makers in Malaysia as it reveals the relationship of CSR-HR capabilities to organizational performance. This study also emphasizes the important roles of the HRM managers to drive the CSR practices to engage in organizational performance. It can be said, the organization can use HRM capabilities to gain competitive advantage. The practitioners of HRM are equipped with the responsibility of developing organizational human resources as well as playing vital roles in the resources and capabilities. Organization also needs to perceive which CSR-HR capabilities' elements that are able to provide impacts to gain organizational performance (Yang & Lin, 2014).

Next, findings of this study would be able to improve and extend area of the study by examining the roles of CSR–HR capabilities in the context of CSR practices. To achieve the objectives, this study believes that CSR should be approached as a responsive approach that is regularized within the organization and translated into

managerial practices including HRM practices (Jamali et al., 2015). This study can also be of great importance as a contribution to database on CSR-HR area. It can point out as to the differences on how these segments with respect to the other segments. The database will be handy in formulating policies and programmes for this topic. It will show what they need and thus create a database for programme planning for government. In conjunction with CSR-HR capabilities, this study could be the first step in exposing towards the concept of CSR-HR capabilities links to organizational performance. Therefore, the existence of a relationship between the variables studied, the organization will be more confident to practice CSR based on the ability of CSR-HR.

Next, since this study is pioneering in nature of CSR-HR capabilities, it has encouraged other scholars to do more research on this area pertaining to organizational performance. And finally, for education providers, the study provides valuable visions based on the performance of business organizational in Malaysia.

1.8 Organization of Thesis

This study is organized into five chapters. Chapter one explains the importance of HRM related capabilities in CSR activities into the current business scenario in Malaysian context. Next, the chapter explains the concept of CSR and HRM related capability and its significance in contributing towards Malaysian's overall growth. In addition, the research problem is discussed and research questions as well as research objectives are developed.

The chapter elaborates the scope of the research and the research significance as well as the definition of key terms used in this study. Followed by, chapter two outlines the literature review of the main concepts of the study. It is started with the

discussion on the theories being underpinned which governed the entire study which is followed by the theoretical concepts of this study. The relationship between variables are then presented and finally, the theoretical framework and hypotheses of the study, are established based on the relationship of various constructs and spaces identified in the literature review. Moreover, chapter three of the study, emphasizes on the methodology of the study.

Chapter three begins with justification in the research design, measures, the procedures for data collection, preparation for the data and finally the data analysis. Next, the statistical measures used in testing the hypotheses are described in deliberate manner. Meanwhile, chapter four illustrates the finding of the study and it explains the procedures which would be undertaken in the pre-test of the questionnaire and method used in measuring the actual behaviours. Then, basic analysis of the demographic variables of the respondents is performed. It will be continued with the validity and reliability of all constructs which will be used in the study, to be tested. Last but not least, the conceptual model is tested to signify the significance of the hypothesized relationship in the proposed business research model.

Chapter five recapitulates the entire research. It effectively discusses if the results replicate and persistent with the previous ones. Furthermore, justifications and implications for research and practice are discussed deliberately. Following this, the constraints of the study and suggestions for future research are pointed and highlighted as well. Finally, the chapter sums up the contributions from the study to the existing knowledge in the area of HRM and CSR practices.

1.9 Operationalization of Key Terms

These are several key terms repeatedly mentioned throughout this study and are operationally defined as follows:

1.9.1 CSR Vision

According to Cooke and He (2010) CSR Vision can be classified as the organizations that understand the vision as ethical practices towards communities and society, regulations, environmental and commitment to communities and society.

1.9.2 Code of Ethics

Code of ethics is the comprehensive code of conduct, has a confidential procedure in place for employees to report any misconduct at work and also conduct any programmes that encourage the diversity of the workforces (Buciuniene & Kazlauskaite, 2012; Cooke & He, 2010).

1.9.3 CSR Statement

CSR Statement reflects to the organizations that have clearly defined and understood CSR values in a respective company and the rules of conduct which were produced quarterly or annual reports including social responsibility contents (Cooke & He, 2010).

1.9.4 Equal Employment Opportunity

Equal employment opportunity is an employment practice where employers do not get involved in any employment activities prohibited by law. It is illegal for