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Pre- And Post-Pandemic Corporate Social Responsibility (CSR) and Organisational Risk Management Practices

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Abstract

Corporate Social Responsibility (CSR), which has been around for a while in the business world, is frequently seen as a group of efforts meant to improve an organization's reputation by enhancing its public relations techniques. Businesses can gain from globalisation, but it also introduces new risks and sources of instability. There is increased uncertainty in corporate decision-making as firms become more reliant and exposed. Inexperienced players have emerged because of this interconnection, necessitating innovative risk management techniques. This study examines the association between CSR and organisational risk management practises in Malaysia's publicly traded corporations before and after the epidemic. The 91 Malaysian listed PLCs' annual and sustainability reports from 2004 to 2021 were the subject of an exploratory content analysis for this study. From a macro perspective, this study's findings suggest that the COVID-19 pandemic has increased Malaysian companies' concern about actively engaging in CSR and organisational risk management practises. This paper demonstrates CSR practises and organisational risk management practises in Malaysia to show an increasing trend in comparisons between pre- and post-pandemic situations, which may suggest manifesting towards better CSR performance to lever any foreseen or unforeseen organisational risk signals.

Keywords: Corporate Social Responsibility, CSR, Organisational Risk Management, Covid- 19, Pandemic

Introduction

Corporate social responsibility (CSR) has long been recognised as a collection of initiatives aimed at improving an organization's reputation as expanded public relations practices. In fact, an interest in CSR also continues to be cyclical and temporary, and CSR itself is a tool for enhancing an organization's picture of impairments or expanding marketing efforts. That is why it is difficult to explicitly prove that CSR is a significant part of corporate management, in particular its policies, and has an important impact on the activities of organizations. In the current climate of increased corporate activity and a growing appetite for CSR services by customers and investors, a greater need for intellectual strength is needed to move CSR beyond a solely regulatory viewpoint and into a more strategic view of the management of social and environmental issues. The new idea of CSR dates to the 1960s, when it first appeared in the United States (Bowen, 1953).
Globalization provides businesses with numerous benefits, but it also creates new sources of insecurity and risk. Multiple business indicators show an increase in uncertainty for business leaders, in large part because of: (1) larger and independent enterprises but under huge pressure to grow and perform as a unit; (2) rapid changes in technology, connections, and information flows due to globalisation; and (3) management problems based on scale. As firms become more interdependent and vulnerable, there is growing uncertainty in corporate decision making. The increasing relevance of the extended company is underlined in present network-based operational models by creating increased connectivity among players worldwide. This interconnectedness has also spawned completely unpractised players and necessitates creative risk management strategies.

Nevertheless, there is no disagreement about the reciprocal ties between CSR and organisational risk management. CSR explains how the risk control process involves preventing (or minimizing) risks. This must, however, be clarified: CSR does not simply mean practises that minimise risk (e.g., lack of credibility, decrease in sales) or its impacts. CSR was gradually recognised as a key factor in corporate risk management. It is certainly related to the fact that CSR is no longer seen as a solution to a single situation but as a risk control tool and a major component of corporate management. CSR is a crucial part of the risk assessment process, which includes determining potential risks, describing their impact, and explaining how to minimise their likelihood and effects. The incorporation of CSR and organisational risk management can be viewed as a long-term commitment and may be much more meaningful and significant at an organisational level than the short-term costs incurred with their introduction. Therefore, when understanding not just financial but also ethical and environmental considerations, companies will create much more effective products and have an abundance of ways to develop and mitigate social risk. As a result, the goal of this study would be to examine the CSR practises and organisational risk management practises of Malaysian listed companies in particular in light of the COVID-19 pandemic.

The idea of stakeholder maximisation in CSR implies that a company volunteering in socially responsible activities not only optimises shareholder profit but benefits a wider range of stakeholders too (Jiraporn, et al., 2014). Companies with more social responsibility, stronger stock valuations (Jiao, 2010; Benson & Davidson, 2010), more response to the market (Aktas, Bodt & Cousin, 2011), and increased purchase announcements return more positive results (Deng et al., 2013). Gardberg & Fombrun (2006) indicate that the reputation of investing in CSR is strategically advanced and that it enables firms to reach global marketplaces. Godfrey et al (2009) demonstrated that involvement in CSR activities functions as insurance against exceptionally unfavourable occurrences.

Methodology

In the light of the comprehensive literature examined, the present research uses a qualitative approach to the analysis of the relationship between CSR and organisational risk management, in pre- and post- COVID-19 situations. Babbie (2020) defines qualitative analysis as a scientific observation approach to non-numerical data processing. Using unstructured or semi-structured methods, the interpretations, principles, definitions, features, metaphors, symbols, and representations of objects may be learned (Berg, 2004).

Qualitative Content Analysis

This paper explicitly aims to recognise organisations that have implemented risk management systems. This is achieved by using keywords disclosed as a proxy for risk management acceptance in the annual reports. The content analysis method will be used in this study to analyse organisational risk disclosure. This method was chosen because the goal of the study was to analyse the extent of CSR disclosure by Malaysian publicly listed companies as well as the risk management practises of the respective companies. Previous studies have used content analysis as the most popular and prevalent way to determine a company's information sharing (Haniffa & Cooke, 2002; Raar, 2002; Zulkifli & Amran, 2006). Content analysis is described as a method that employs a series of procedures to get a valid conclusion from text. According to the study, identifying risky sentences is highly subjective, based on the researcher's starting idea, knowledge, and preferences. Content analysis enables recurrent examination and the development of valid inferences from data based on context. Primary data is widely used for predictive analysis. Secondary data is comparatively inexpensive, easily accessible online, prone to fewer human errors, and theoretically more reliable and precise. As for this study, secondary data gathered from annual reports and sustainability reports of all publicly listed entities on CSR mentions was screened and separated accordingly. Stanton & Stanton (2002) indicate that the validity and accountability of annual reports may be seen in a study that examines annual reports from the many perspectives of research. They also state that the information produced in annual reports is driven not by the concerns of shareholders but by those of outside parties.

CSR Disclosure Scores

More generally, CSR disclosure scores are used as a metric of CSR efficiency. The CSR output of organisations can be quantified by the content analysis process. All Malaysian publicly-listed firms are expected, under the Bursa Malaysia CSR Framework, to declare their CSR efforts in an annual report or sustainable report on the community, environment, market, and workplace dimensions (Table 2.1).

Table 1.1
CSR Dimension Disclosure Content

CSR Dimension	Types of Disclosure	Content of CSR Activities
Community	Disclosure of local community commitments or aid	Management or staff volunteer activities, charity gifts, sponsorships, community involvement and development, etc.
Environment	Disclosure of environmental protection and conservation efforts	Effort efforts by the company to protect and preserve natural resources and the environment, e.g., Renewable energy initiatives, air, and water pollution reduction, etc
Marketplace	Disclosure of company performance	Integration of responsible business behaviour in business practise and operation, such as efforts to improve support and customer retention
Workplace	Human Resource Policy Disclosure	Enhancement of work rewards and support by the firm, e.g., pay, pensions, occupational health, and safety, etc.

Organisational Risk Management Measures

Businesses pose multiple challenges, and so risk control should be a core part of the competitive management of every business. Risk management helps organisations recognise and resolve challenges, thus increasing the probability of successful accomplishment of their business goals. A risk assessment approach involves (1) methodically determining the risks involved with your company's practises, (2) evaluating the possibility of an incident occurring, (3) understanding how to respond to these incidents, (4) setting up processes to deal with the implications, and (5) tracking the success of the risk assessment and control methods. The content analysis approach was utilised to assess risk disclosure in this study. It was chosen because the study focuses on the extent or number of risk disclosures rather than the quality of the risk disclosures. The hazards assessed in this study are based on MFRS (Malaysian Financial Reporting Standard) 101 and 132, which suggest eight categories of significant risk regions. Credit risk, liquidity risk, operational risk, reputation risk, strategic risk, regulatory risk, systemic risk, and market risk are among them.

Table 1.2
Risk Sources and Scoring Allocation

Risk Sources	Associated Words or Phrases	Scoring Allocation
Credit	Credit limits, customers credit, credit control	*Count of words or phrase if available and "0" otherwise*
Liquidity	Inability to meet short-term debt, exceptional losses, asset conversions	
Operational	Technical failure, extreme weather, natural disaster, human error, loss of employees, insufficient resources, technological change	
Reputation	Damage to brand, economic slowdown, increasing competition, failure to retain top talent, business interruption	
Strategic	Strategic plan, market repositioning, valuation, market liquidity, stakeholder pressure, competitive pressure	
Regulatory	Changes of government regulation, changes in taxation, degree of government regulation, health, safety, and environmental risk	
Systemic	Inflation, interest rates, currency fluctuation, climate change, resource and biodiversity loss, **pandemic**, war.	
Market	High competition, loss of big customer, shift in customer taste new alliance, joint venture, new market.	

Results & Discussion

Findings

Around 1,004 companies are listed on Bursa Malaysia, and all corporate websites for this listing were meticulously examined to identify businesses that engage in CSR initiatives as well as those that operate risk management programmes. Only 388 of the 1,004 companies exposed their CSR practises in publications that were made available to the public via their websites and the Bursa Malaysia e-publication platform, according to this study's findings. The remaining 61%, or 616 companies, are either inaccessible or have not published any information on their company's CSR practises on their websites.

A total of 11,237 actions from the overall CSR activities recorded by all the organisations between 2014 and 2021 are directly or indirectly relevant to any type of organisational risk management. Included in this are 23.49% of CSR activities that focus on the workplace, 31.51% of CSR activities that concentrate on the environment, 32.13% of CSR activities that concentrate on the community, and 12.87% of CSR activities that concentrate on the market. All these activities are also only marginally focused on or in line with the known or anticipated organisational risks for the firm.

Further investigation of the sectoral analysis also derived the following trend pattern: The trend in general CSR practises among Malaysian public listed companies increased from 2014 to 2019, then began to decline in 2020, with a steeper drop expected in 2021 onwards. The exact pattern noted for the CSR disclosure in the environment domain CSR disclosure for the marketplace domain showed a decline from 2014 through 2016, an upswing from 2017 through 2019, and then a decline from 2020 through 2021. In terms of CSR disclosure for the community domain and workplace domain, a similar non-linear pattern was seen. The community domain saw an increase from the years 2014 to 2017, a slight decline in the year

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2018, a rise in the year 2019, and then a decline for the following two years in a row until the year 2021. Whereas the workplace domain saw a steady increase from 2014 to 2016, followed by a small drop in 2017 and a significant rise from 2018 to 2019, before declining in 2020 and 2021.

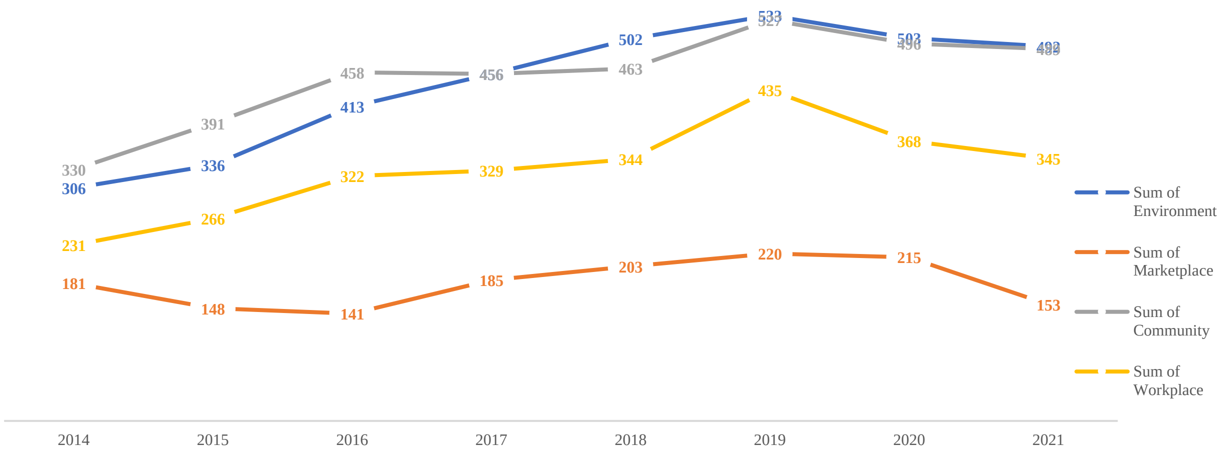

Figure 1.1 Yearly analysis of CSR Activity Scoring

Organizational risk management disclosures among Malaysian listed companies signifies an interesting pattern. From year 2014 to 2021, all 91 examined listed businesses extensively examined the risk management aspects in their separate annual reports using content analysis. Five of the 91, or 5.5%, did not include any organizational risk management words in their annual reports. Whereas some businesses (about 4.40%, or 4 in total) simply highlighted partial disclosure on organizational risk management aspects.

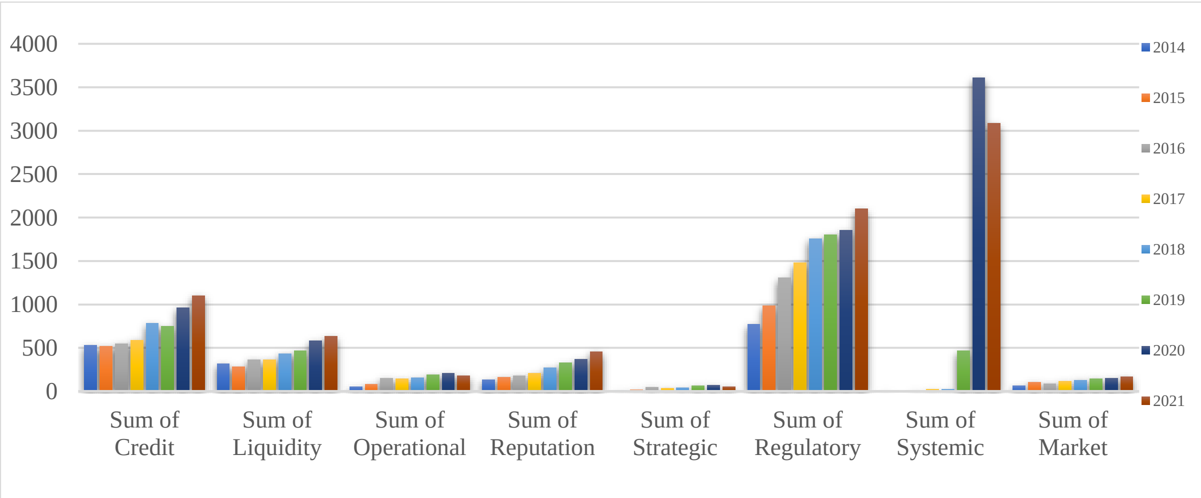

Figure 1.2 Organisational Risk Management Disclosure Breakdown Analysis

33,090 entries related to various sorts of organisational risk management features were recorded by the 91 organisations under study. The eight risk management discoveries are credit risk, liquidity risk, operational risk, reputation risk, strategic risk, regulatory risk, systemic risk, and market risk. Sectoral analysis scores are ranked decreasingly, with regulatory risk scoring the highest at 36%, followed by systemic risk at 22%, credit risk at 18%, liquidity risk at 10%, reputation risk at 6%, operational risk at 4%, market risk at 3% and strategic risk at 1%. For the trend analysis, all the examined credit, liquidity, reputation, regulatory, and systemic risks showed an extensive increment over the stimulated timeframe.

whereas the operational, strategic, and market risk elements did not showcase any increment within the same stipulated timeframe. Notably, systemic risk recorded a soaring incidence in the pre- and post- COVID-19 pandemic situations. In contrast, credit risk, liquidity risk, reputation risk, and regulatory risk have all steadily increased over the years, with little impact from pre- and post- COVID-19 pandemic situations.

Discussion

The COVID-19 virus, which spread quickly and affected the operations of countless enterprises, is currently being fought everywhere in the world. It also puts various economies in danger. Businesses now face brand-new challenges that they have never faced before. The ability to respond to an external threat, such as the COVID-19 pandemic, as well as the capacity to swiftly adapt to changes, modify business procedures, and take on new challenges that have arisen because of the pandemic are necessary for resolving these issues.

Due to a lack of specific structures, patterns, and procedures for handling a pandemic, many entities were forced to operate intuitively in various facets of their activities. Numerous governments have put a variety of preventative measures in place to slow the spread of the virus. More than only the public has been affected by the negative effects of legal regulations. Additionally, terrible business circumstances were caused by individual government decisions (Krechowicz & Katarzyna, 2021). Several businesses were forced to cease operations or close their doors to comply with the new regulations because they were struggling to turn a profit and were unable to fulfil basic obligations to co-workers and the government. To fulfil stakeholders' expectations in ways that go beyond the company's own monetary interests and the law.

Due to pressure from a variety of stakeholders, including customers, rival businesses, and others, businesses are paying particular attention to CSR. Businesses have strengthened their social obligations in reaction to the epidemic, especially for those social groups that, by fighting the pandemic, enable the restoration of conditions for long-term development. It has been established that businesses that participate in CSR initiatives face both opportunities and risks. The COVID-19 pandemic altered how society, businesses, and the government interacted with one another. As a result, these groups started cooperating more closely to prevent the negative effects of the pandemic.

CSR should be evaluated in terms of risks as well as rewards (for the company and its stakeholders). CSR is associated with using a company's resources to do prosocial tasks, which have the potential to impede the dynamics of the company's growth. In addition, socially responsible actions must be flexible and adaptable to ever-changing environmental conditions. Changes in the circumstances indicated above have no effect on how social goals are attained because there is no ongoing monitoring. It has to do with the potential for errors to be made and financial outlays for costs that could have been avoided. Treating CSR as an afterthought rather than a semi-permanent component of a company's operations increases the danger of a slowdown in achieving the company's strategic objectives.

Some CSR projects have drawn criticism for falling short of expectations. To gain the rewards, businesses should take precautions to reduce the risk associated with CSR programmes. In the event of a pandemic, the growing number of socially conscious projects may both help businesses and society grow over the long term and necessitate taking some risks to do so. Therefore, conducting a risk and opportunity assessment is crucial because it enables both protection against adverse effects resulting from the execution of the CSR initiative and maximisation of the potential associated with this type of activity.

Conclusion

A new reality that has changed risk management is being faced by global firms: networked operations and global value chains, empowered stakeholders, and the dynamic friction between various sectors. Traditional approaches to reducing the emergence of new social risks are ineffectual. To adapt to innovative technologies and network-based methods of information exchange in this pristine environment, businesses must innovate in both identifying and comprehending these unidentified threats. Global firms should modify their risk management procedures to incorporate CSR initiatives. CSR offers structures and guidelines for stakeholder involvement as well as a plethora of information about current and emerging social issues and social groupings to support this corporate risk strategy.

Eventually, this pandemic may serve as a catalyst for a new era of CSR development by providing businesses with excellent possibilities to actively participate in a variety of CSR projects during the crisis. The epidemic has brought the ethical component of purchasing decision-making to consumers' attention, which is also likely to cause customers to switch to more conscientious and charitable consumption. It appears likely that businesses and organisations will reflect these developments. Smart marketers will modify their rules and methods to reflect these fundamental shifts in our beliefs, attitudes, and opinions.

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