

Exploring Customers' Perception in Judging the Influence of Islamic Values in Fulfilling Company's CSR

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ABSTRACT

Muslims believe that Islam is not only a religion but a complete way of life. The teaching covers every aspect of life, including in doing business where the values and principles are the central foundation in Islam. As a modern, progressive and politically stable Muslim country, Malaysia has the opportunity to establish itself as a regional and global hub for halal production, logistics and trade. Apart from growing one's business and profit earned, businesses are responsible "give back" what they have gained from customers in the form of corporate social responsibility (CSR). Parallel with the government's aspiration plus the notion of Islamic teaching as the foundation of CSR, the purpose of this paper is to examine the customers' perception in judging the Islamic influence in fulfilling company's CSR in Malaysia. In doing so, a total of 300 responses from questionnaire survey was collected from customers of fast food restaurant in Kuala Lumpur, which has led to new discoveries that be made in the analysis. The analysis has also led to further understanding of Islamic CSR, which is indeed beneficial for future service business growth and development in the country.

KEYWORDS: Customers' Perception, Islamic Values, CSR.

INTRODUCTION

Corporate Social Responsibility (CSR) is a concept whereby businesses go beyond legal requirements to reconcile between economic obligation and social expectations. Due to differences of opinions and practice, the social dimension of corporate behavior has increasingly moved into the focus of public and academic discussion in the recent years. Firm performance in the social responsibility dimension is high and more impacting to the consumer brand perceptions [18]. CSR can be coined as a holistic strategy that can be termed as "good citizenship" or being a "good" company whereby businesses go beyond legal requirements to reconcile between economic obligations and social expectations. Sharing the business ethics and value of "paying back to society", CSR has covered a broad spectrum of a company activity ranging from human resource management to environmental protection and include every aspect of a firm's impact on society.

When pursued as an abstract concept, CSR is not easy for the public to comprehend. Focusing on specific social issues is often desirable for effective communication and enhances the public's receptiveness to a firm's public relations effort. Under CSR related companies may explain what they stand for, how CSR is carried out and how people benefitted from such action [28]. In a simple connotation, CSR is actually being bridged between companies effort and people or customers overall perception towards them. Interestingly enough, the concept of CSR was 'commercialized' by the Western world. However, the values and principles have been the central to Islam since the time of holy Prophet Muhammad [22]. In fact, it is not too much to say that Islamic values are actually the foundation of today's CSR. That marks how Muslims should be familiar with the overall notion of CSR with its problems and inconsistencies countered in justification, conceptual definition, implementation and operationalization [10].

With the mission to transform Malaysia as a halal hub region in the world map, tremendous efforts should be concentrated. Among others, are the effort to be undertaken to make this country as the production and distribution of halal products, service providers, reference to the halal standard, research and development (R&D) of halal matters. The introduction of halal issue signals the need to fulfil Muslim customers' requirement as a whole. In this paper, we are suggesting that the idea in promoting Islamic influence needs not to stop there (by promoting Islamic products and services). It must be extended to cover the company's CSR activities as well. In doing so, customers should realize and can feel the impact of Islamic values in those activities. Therefore, this exploratory research intends to evaluate as to what extend customers perceive the Islamic influence in fast food companies' CSR initiatives.

LITERATURE REVIEW

Corporate Social Responsibility

There is no strong consensus on a definition for CSR [21]. In [20] believe that the larger aim of social responsibility and task is to create better standards of living of consumers, while attaining the profitability of the corporation. The whole concept of CSR itself is constantly evolving and varies as time goes by [11].

Customer relationship refers to a business ethically responsible to its stakeholders. It is an organization's commitment to conduct its business in an economically, socially and environmentally sustainable manner whilst balancing the interest of a diverse range of stakeholders [29].

Perceived Company's Mission

Firm mission is a "declaration of an organization's fundamental purpose: stating why it exists, how it sees itself, what it wishes to do, its beliefs and its long term aspirations". In order for CSR to be regarded as an integral part of business decision making, it must have a prominent place in a company's core mission, vision and company's value document [12]. The task of building a shared vision is part of developing the governing ideas for the enterprise [27]. A sense of mission and explicitly stated core values are important components of the process, and the vision must be consistent with the core values. To a certain extent, this vision will serve as the foundation in setting the moral tone for the organization which is then responsible for its moral climate. It is actually a statement of intent. The vision should then be transcended and well perceived by the customers and related parties the firm's intent and the following aspect of CSR-strategy relationship is offered for consideration [25].

H₁: Customer interpretation of a company's mission significantly affects customer perception of CSR.

Commitment towards Customer

The main aim of any company is to contribute and provide a good and improve customers' standards of living. One of the ways is by having CSR as it can function as a mechanism to ensure the survival and efficiency of the company [26]. As far as CSR is concerned, commitment towards customers can be in various forms. In [1] suggest that companies should do so by attaining a competitive edge in the economic market. Companies should be responsible enough to offer products and services that are safe for customers' intended use. Additionally, companies can also offer resource mobilization and civic improvement. CSR are the things that are capable of adding positive value and brand equity in a company by enabling it to demonstrate its potential as a good corporate citizen and control the consumer [19].

H₂: Commitment towards customer significantly affects customer perception of CSR.

Commitments toward Society

Somehow, commitment towards the society can be portrayed as the company's commitment contributing towards making the betterment of the society as a whole. This is parallel to the notion by [6] which suggest that CSR associations reflects the organization's status and activities with respect to its perceived societal obligations. However, in [26] argue that the case for CSR has evolved around four arguments namely moral obligation, license to operate, sustainability and reputation. In [14] further suggest that in fulfilling CSR, companies should fulfill their obligations that should be extended beyond mere profit-making activities. Business, where it is a part of society is responsible for contributing to the common good as any other social group or individual in society. Corporations should contribute positively to society's well-being without hurting it [13]. In other words, due to their own resources, businesses should contribute to the society welfare [7]. Moreover, if they do not engage voluntarily in CSR activities benefiting society, the government is likely to increase corporate taxes in order to obtain the necessary resources to raise society's well-being. Furthermore, corporate activities have an impact on society that can be positive, neutral, or negative, through employment, provision of products, etc. Hence, they have a responsibility for these impacts and for those that will arise from future activities [8]. Thus, that leads to the following hypothesis.

H₃: Commitment towards society significantly affects customer perception of CSR.

With all the initial factors, the proposed framework of the study is as follows.

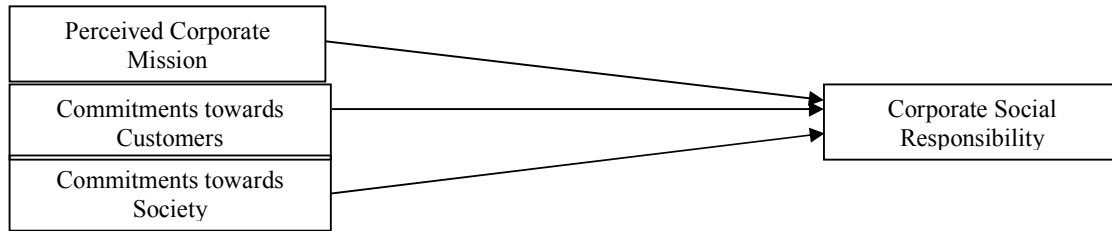


Figure 1: Proposed initial framework

Islamic Influence

Most of the studies on CSR decades ago focus on the form of CSR in Western societies. This is evident from the research done especially in Europe and United States which emphasize on ethical values, culture and beliefs [5, 11]. In contrast to the Western ways, in Islam CSR is viewed rather holistically. It offers an intergalactic spiritual view based on the teachings of the Quran and the Sunnah provides a better alternative philosophical framework for man's interaction with nature as well as his fellow men [2].

Muslims believe that the teaching of Islam can be obtained from the Holy Quran and hadiths. Apart from that Prophet Muhammad was sent as the messenger for the whole universe. Looking it from a different perspective, Quran serves as a guideline to solve the entire human problem. In fact, Islam represents itself not only as religion but also a complete code of life [29]. Quran discusses about literature, law, economics, socialization as well as Jihad. However, the Quran is very unique in the sense that, we cannot draw any conclusion simply by looking at the verse alone. Quran serves as a guideline that provides the theoretical framework while Prophet is the practical example of Quran and Muslim's way of life.

Similarities of concept are observed between CSR and Islamic teaching. For instance, the culture of giving and sharing in Islam embracing the concept of "giving" back to society. The concept of helping the needy ones can be seen through CSR's activities supporting education and research, building hospitals and schools [3].

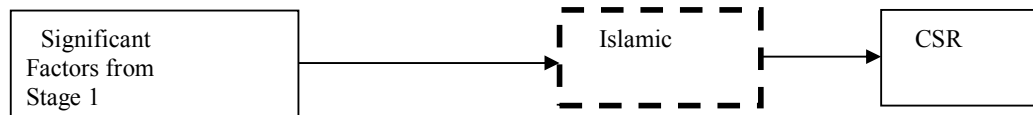


Figure 2: Proposed initial framework with additional mediating factor

The introduction of Islamic influence in the framework leads to the following hypotheses.

H₄: Islamic influence significantly mediates the relationship between related factors with CSR.

METHODOLOGY

The study is targeted of customers of fast food restaurants around Johor Bahru, Malaysia. The sample size consumers with the age range between 18 to 55 years old. They were chosen simply because they are adult enough to choose any specific fast food operators that they prefer. Five fast food restaurants were being selected. Participation by the customers of these fast food restaurants was purely voluntary.

Structured questionnaire was used as a mean for data collection. Data was collected using a structured questionnaire with questions in prearranged order. The questionnaire items were adapted from different sources to suit the study. Items were adapted from several sources, for instance CSR were adapted from [24] and interpretation of a company's mission from [16]. In judging how customers evaluate company's efforts to the society and customers themselves, questions were being adapted from the same source. Modelling CSR together with religious influence gives a holistic picture than studying the two constructs separately. In this sense, the study adds value to the present knowledge in the area. Items for religious influence were adapted from [17]. All items were measured on a seven-point Likert scale ranging from 1 (strongly disagree) to 7 (strongly agree).

The exercise was conducted over a period of two weeks. A total of 550 questionnaires was distributed, and 383 (69.6%) were returned. Some questionnaire had more than 25% of the items unanswered and were rejected, which resulting in an effective sample of 300 usable completed questionnaires.

EMPIRICAL RESULTS AND DISCUSSION

Demographic Profile

The participants in this study were quite balanced between male (43.3) and females (56.7%), with the majority at the ages of less than 25 years old (47.3%). Most of the respondents are currently working in the public sector (18.7%). In terms of fast food preference, majority have chosen KFC (26.3%) as their top preference, followed by McDonald's (24.3%). Full details are shown in Table 1.

Table 1: Respondent's demographic profile

No.	Profile	Description	Responses	Percentage
1.	Gender	Male	130	43.3
		Female	170	46.7
2.	Age	Less than 25 years	142	47.3
		26-39 years	103	34.3
		40-55 years	55	18.3
3.	Fast food preference	McDonald's	73	24.3
		KFC	79	26.3
		Pizza Hut	47	15.7
		Dominos	49	16.3
		Burger King	52	17.3
4.	Education	Secondary/High school	31	10.3
		Diploma/certificate	61	30.4
		Degree	166	55.3
		Postgraduate	12	4.0
5.	Job status	Public sector	56	18.7
		Private sector	54	18.0
		Self-employed	49	16.3
		Others	141	47.0

Measuring Reliability and Validity

Factor analysis was performed on all questionnaire items to establish their suitability for performing the subsequent multivariate analysis. The results presented are based on parsimonious sets of variables which guided by conceptual and practical considerations with loadings of 0.50 and above [15] and cross loadings below 0.20. The varimax factor rotation was employed for the analysis. High commonality values were recorded for all the variables, indicating that the total amount of variance an original variable shares with all other variables included in the analysis is high. Overall, the results show that the construct measures are valid.

Finally, the remaining 37 items loaded well on four dimensions (CSR, interpretation of the company's mission, commitment towards society and customers) with scores over 0.50 [15]. Thus, the validity of measures was established, confirming that the individual items are measuring the same construct and thus are highly inter-correlated [23]. The Kaiser-Meyer-Olkin measure of sampling adequacy gives a high total of 0.954, and Bartlett's Test of sphericity value is significant ($p = 0.000$). Besides that, reliability analysis was to test the reliability of the questionnaire. The Cronbach Alpha (as shown in Table 2) indicates factors exceeding 0.500, which indicates the reliability of scales used in that survey.

Table 2: Overall result of reliability testing

Dimension	No. of Items	Cronbach Alpha
CSR	8	0.892
Interpretation of mission	10	0.834
Commitment to society	5	0.874
Commitment to customers	7	0.746
Islamic influence	7	0.893

Regression

We started off by investigating the scenario by using multiple regression analysis of the relationships between interpretation of the company's mission, effort to society and customers with Islamic influence and CSR. The regression analysis was divided into two different stages.

In the first part of regression analysis (as shown in Table 3), multiple regressions were conducted between customers' interpretation of the company's mission, efforts of the society and customers with CSR. All the three factors contribute significantly to the measurement of CSR with ($F = 138.411$; $p = 0.000$). All the three factors contribute about 58% of the variation in predicting factors that influence customers' interpretation of the companies' CSR. Analyzing the factors individually, the results show that interpretation of the company's mission ($\beta = 0.648$) and commitment to the society ($\beta = 0.181$) contribute significantly to customer with ($p = 0.000$). The result is shown in Table 3.

Table 3: Summary of regression analysis of company's mission, effort to the society and effort to customers on CSR

Summary		ANOVA			Dimension	β	T	P
R	R ²	F	Sig.					
0.764 ^a	0.584	138.411	0.000	(constant)			2.341	0.020
				Company's mission	0.648		13.762	0.000
				Society	0.181		3.013	0.003
				Customers	0.010		0.179	0.858

a. Predictors: (Constant, CSR)

Regression: The Mediating Effect of Islamic Values

We run another set of regression test to gauge the mediating effect of religious influence on CSR. This is even more so with the development of aspiration to become an important halal hub in the region, we feel a strong urge to determine the influence of Islam in fulfilling company's CSR. In analyzing the effect, only two independent variables are chosen (as they have shown significant relationship result in stage 1); namely customers' interpretation of the company's mission and commitment to the society.

The mediating effect of Islamic influence on the association of the two factors and commitment was assessed based on the research done by [4]. The variable functions are as a mediator when it meets the following conditions: (a) variations in levels of the independent variable significantly account for variations in the presumed mediator, (b) variations in the mediator significantly account for variations in the dependent variable, and (c) when a and b are controlled, a previously significant relation between the independent and dependent variables is no longer significant or it is significantly decreased. If Z = dependent variable, X = independent variable and Y = mediating variable, then:

$$Z = f(X) = a + bX;$$

$$Z = f(Y) = e + fY;$$

Full effect:

$$* b \neq 0$$

$$* d \neq 0$$

$$* f \neq 0 \text{ also } j \neq 0$$

$$* h = 0$$

$$Y = f(X) = c + dX$$

$$Z = f(X, Y) = g + hX + jY$$

Partial effect:

$$* b \neq 0$$

$$* d \neq 0$$

$$* f \neq 0 \text{ also } j \neq 0$$

$$* h \neq 0 \text{ but } h < b$$

The summary of the result is shown in Table 4.

Table 4: The influence of Islamic influence as a mediating variable

Independent Variable	Regression Analysis				Changes
CSR	Stage 1 (With Religious Belief)		Stage 2 (Without Religious Belief)		
	B Value	P Value	B Value	P Value	
Dependent Variable					
Company's Mission	0.648	0.000	0.590	0.000	Decrease In B Value
Commitment to Society	0.181	0.003	0.107	0.290	Decrease In B Value
Adjusted R ²	0.579		0.654		

In analyzing the function of Islamic influence as a mediating variable in the relationship between interpretation of company's mission and commitment to the society, it is interesting to note that the decrease in beta value (from 0.648 to 0.590-company's mission, and from 0.181 to 0.107-commitment to society) respectively. The decrease in value indicates that Islamic influence is a mediator for both relationships.

CONCLUSION

The best way of doing Islamic business is having a partnership with trust, engaging in trading of goods and services that increases the satisfaction level of the customers and promoting the social relations of the business. One of the ways to gain all those factors is by involving in CSR activities. On top of everything, as a way to attract Muslim, CSR activities being designed need to fulfill the Islamic way of life. All these activities will be meaningless without having complete faith and submission to Allah (SWT).

The results from the study give interesting interpretations. Somehow or rather, it is reflecting how effort in fulfilling company's CSR is evident at the macro level. That is why customers can interpret how company's mission and effort to meet societal need address the CSR. The results are parallel to previous study, which reflects that fact customers agrees that companies have an underlying responsibility towards the society at large [9].

However, at the micro level, customers fail to see effort done by fast food companies in rendering best CSR activities to them. From there, we can conclude that future efforts should be instilled to satisfy individual

customers by having customer-centric CSR. Profit earned should be generated back to deliver better value to customers. Customers should be regarded as the co-creator of the service as Prophet Muhammad (PBUH) said, if we do not serve our customers well, then Allah (SWT) angels would curse us.

Extracted from [30], "Muslim consumer behavior is largely a cultural construct, which necessitates that marketers should understand Islam through the varied lenses of Muslim consumers and all. This separates social sciences marketing insight from Islamic scholastic Sha'riah postulations. As an adjunct, it is suggested that the two positions like the wheels of a cart which need to work in tandem-lest each is optimized...."

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