Social Initiatives Institutionalization, A Case Study of an Award-winning Company

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Abstract

Institutionalization is the process of establishing the standard as created by the company. Its goal is to provide business and stakeholders on its practises. There are four main processes or procedures on institutionalization namely, participation, self-regulation and assurance, performance assessments and evaluations, and reporting and disclosure statements. The best way to understand it, institutionalisation is a dynamic and ongoing process in the organizations. Thus, the primary goal of the study is to examine how business institutionalise their social activities, or Corporate Social Responsibility (CSR). DiGi Communication Berhad (DiGi) was chosen as a case study company as have received numerous local and international CSR awards. The early years of DiGi's CSR institutionalisation initiatives are covered in this study. This study's result contends that the business has benefited strategically from earlier institutionalisation of "dynamic and on-going process".

Keywords: Corporate social responsibility, institutionalization, case study

1. INTRODUCTION

Institutionalization is conceptualised as the process of establishing the standard of practice by the business. Thus, there are five major procedures in business institutionalisation namely; reporting and disclosure statements, performance assessments and evaluations, participation, and self-regulation and assurance (Barley & Tolbert, 1997; DiMaggio& Powell, 1983; Xu & Woo, 2022). Thus, institutionalisation is best understood a dynamic and continuing process. Thus, the main objective of the paper is to discuss on the business institutionalisation of its social initiatives or also knows as Corporate Social Responsibility (CSR). DiGi Communication Berhad (DiGi) has been selected as a case study companies because of it's have won many CSR awards, local and international. Thus, the focus of the research question is on how, instead of why in institutionalize business CSR initiatives. The is because the why question is more on the pressure of business in its CSR initiatives, from the notion of institutional theory on pressure (DiMaggio & Powell, 1993). Furthermore, under this perspective the initiatives as a means of maintaining legitimacy (DiMaggio & Powell, 1993).

2. LITERATURE REVIEW

In general, an institution can be defined as a socially constructed template where on-going interactions between the business and its micro or macro environment run through (Hoffman, 2007; Meyer & Rowan, 1977). The environment consists of organizations in the same industry, the society, government and anyone that can influence businesses to achieve their objectives (DiMaggio & Powell, 1991; Hoffman, 2007; Meyer & Rowan, 1977). Institutionalized is dynamic and continue in process in organization to achieve is mission and vision.

Scott's (1995) had clearly defined the term "institution" from the New Institutional Sociology theory perspective. He posits that the businesses should follow norms and behaviours that are associated to the institutions, they are in. Under this theory, business CSR initiatives will follow its institutional context, as the institutional environment determines the practice (Leppan, Metcalf, & Benn, 2010; Matten & Moon, 2008). This is because managers anticipate external pressure that do not always lead to the firm's desired performance. Thus, qualitative studies on

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CSR institutional theory allows researchers to understand firms' behaviour in relation to the sources of institutional pressure and the demands in shaping businesses CSR agendas. Therefore, the appropriate question under this theory is Why does the businesses get involved in CSR initiatives. Ozen and Kusku (2009) examined why some companies in Turkey go beyond environmental regulations in their CSR initiatives. Their study focused on the source of institutional pressures. They reported that the adaptation of environmental policies depends on the source of institutional pressure, such as market orientation (mimetic), industry concentration (normative) or business identity (coercive).

The present study investigates on how the business institutionalised their CSR initiatives i.e. more on institutionalised CSR process or procedure in the organization. We posit that businesses sometimes avoid following institutional norms. This diffusion situation can be referred to as 'decoupling' or symbolic conformance to institutional pressure (Meyer & Rowan, 1977). In other words, the symbolic act is purposely done to comply with external demands without changes in its actual practices. Sometimes, the decoupling strategy is important for businesses to maintain its operational structure and/or to protect organizational practices pertaining strong demands from stakeholders (Mayer & Rowan, 1977).

3.   RESEARCH METHODOLOGY

Based on the research questions and nature of the study, we employee case study methodology. The case study method allows us to address the research question which are, how the business institutionalised their CSR initiatives. According to Stake's (1995, 2006, 2010), case studies is as highly interpretive projects. Stake (2006) believed that the most important role of the researcher in a case study is as an interpreter. He claimed that a case study researcher role is not only to discover an external reality, but as designer of a clear view of the phenomenon under study by way of explanations, descriptions, and provision of integrated interpretations of situations and contexts (Stake, 1995, 2006, 2010). Thus, the researcher can provide rich and significant insights into events and people's behaviour in their report. We choose DiGi as our case study company. The data obtained in this research were from external documents, interviews and observations note is considered appropriate for this kind of study (Adams, 2002; Cooper & Morgan, 2008; Momin & Parker, 2013). We interview persons which are CSR involve in business institutionalize initiatives. They are Director, CSR Managers, and Manager. The interview was conducted during the earlier implementation of CSR in the organization (2009 – 2015). Other than that, the data also taken from the business CSR reports and other relevant documents such as email on CSR news that shared by the business.

3.1   Background of Company

DiGi (previously known as Mutiara Swisscomm Bhd) started operations in May 1995. In 1997, DiGi was the first Malaysian mobile operator company listed on the Main Board of the BM Stock Exchange, under the Infrastructure Project Companies category, with a paid-up capital of RM77.7 million. Early 2000, DiGi has formed a strategic alliance with Telenor, a Norwegian multinational telecommunication company which is the world's sixth largest telecommunication company. In 2005, Telenor's share in the company has increased to sixty one percent, thus making it the majority shareholder, which controls the management. In the MSCI ESG Ratings for 2021, Digi was raised from A to AA level (leading category), and in ESG Risk Ratings, it was ranked as the top Malaysian Telco (E-Vahdati, S., Wan-Hussin, W.N. & Ling, O.H.,2022).

4.   RESULT AND DISCUSSION

In this section the result and discussion based on the four main processes or procedures on institutionalization namely, participation, self-regulation and assurance, performance assessments and evaluations, and reporting and disclosure statements. The interview data and document analysis show that the key factor institutionalized DiGi CSR agenda are philosophy and framework. The DiGi's CSR framework is not a standalone framework. All three core principles cover both internal (how employee see the company) and external (how the company is perceived) stakeholder. It is interconnected to each other's within the boundaries of CR philosophy, "Doing Great While Doing Good".

4.1   Participations

Participation refers to the persons involve in DiGi CSR activity. Data revealed DiGi institutionalised its CSR initiatives through dual mechanism, which are structure and people. Both emerging themes (structure and people) are mutually dependent. For instance, the structure gives character to DiGi CSR, while people navigate the

structure. Following are the explanation of how DiGi institutionalised its structure towards responding to its CSR. DiGi perceived CSR represents company responsibility to more than just shareholders or immediate stakeholder. Data depicted DiGi responsibility through connectivity and engagement of DiGi core business to the stakeholder. The process includes stakeholder priority matrix, namely, environmental assessment, stakeholder management and issue management. DiGi also view CSR should not discriminate society and community at large and that DiGi has its responsibility towards the stakeholder surround the territorial and global. Top management, and stakeholders were the two groups appeared in the data that support people in institutionalised business CSR initiatives. Firstly, the top management. The CEO said that:

> "*Full accountability and transparency will be the bedrock all DiGi's corporate responsibility programme*"

Triangulated the statement made with document, this study found evidence in 2009 Sustainability Report:

> "*At DiGi, CEO has taken a leadership role on our climate change programme. He, along with the rest of the DiGi Management Team spearhead many of the initiatives and the programs that we have embark upon.*" (p.15).

This shows important of top management commitment in institutionalised business CSR initiatives.

Secondly, stakeholder emerged as the second group of CSR institutionalisation. An example from the excerpt as evidence of this statement is as such; the CSR Director and Manager explain on the important of stakeholders in DiGi accountability practice as "*accountability suggest we have to answer to our stakeholders*". They explain further the mechanism use such as standard and reports is to assure stakeholder on business CSR or sustainability agenda, but the stakeholder engagement or involvement is to show evidence on the institutionalised process in CSR. As stipulated in introduction of sustainability report:

> "*Stakeholder feedback is reviewed and addressed by relevant functional personnel. Issues that are strategically important to our business are subsequently integrated into our corporate strategy and form the basis for our Sustainability focus areas and related initiatives.*" (Sustainability Report 2012, p.3).

Furthermore, for example to accommodate institutional demands the CSR framework takes into accounts the state economic initiatives, which are the Government Economic Transformation Programme (ETP) and National Key Economic Areas (NKEA). The business attached its employees to the relevant department with the aim to have understanding on state initiatives and how the business can contribute to achieve them.

Triangulation of data with document support the above findings that stakeholder is an important group of significance in business institutionalisation. The following table 1 gives an illustration on the various communication tools used by business to communicate with its stakeholders. implicitly to show how the business accountable to its stakeholders.

Table 1: Stakeholders' Feedback

Stakeholders	Feedback Process	Comments on business accountability
Employee	Internal communication, CEO's emails to employees, annual employee engagement survey and leadership forums with all managers	Employees play central role in business CSR initiatives. By continuous communication with them the management will know the problems in implementation of agenda, or value their feedback and suggestions. Implicitly it develops their sense of ownership and pride in business agendas.
The government and regulators	Participation in government programmes and initiatives, for example Government Economic Transformation Program. Secondment of business senior employees to government bodies.	The government and regulators play important roles in policy development related to CSR. Thus, the business will draw its policy by following what the government wants alongside a supportive regulator policy.

Customers	Visit business retail outlets, setup customer service and develop social networking for communications.	Acknowledgement of customers' power as a force to influence purchases of business products and services.
Business Partners or Suppliers	Annual self-assessment for supplier performance, site inspections and audit. To give training on business agendas, for example the "Deep Green".	Business has to be aware of negative consequences on business partner performance when it delivers to the business. It is important for suppliers to know the business agendas such as the "Deep Green". The business also wants to know the partners' and suppliers' business practices and try to avoid bad practices by them.
Investors and Stock Analysts	Corporate presentations and analyst briefing sessions.	Communicate effectively by creating interest and knowledge in business CSR principles and performance.
Media	Media interviews, events and informal meetings.	The role of media is to help the business in disseminating true information on its agendas. Furthermore, media plays an important role to reduce the information gap between business and stakeholders.
Community and NGOs.	Partnership with NGOs	NGOs can help businesses in performing their agendas via training and educating employees on particular practices and issues.
Corporate Membership	Statutory member of UNGC, member of the Institute of Corporate Responsibility Malaysia, EU-Malaysia Chamber of Commerce and Industry, GSM Association and Malaysia Technical Standard Forum Bhd.	Important membership for networking and learning on certain CR issues. Implicitly will increase accountability and transparency in business CR agenda.

Source: DiGi Sustainability Report 2009, 2010, 2011, 2012

4.2 Reporting and disclosure statement

Reporting emerged as a formal institutional process that was established in DiGi. Data revealed that DiGi belief, reporting is a form of responsibility, and that DIGI is accountable to report its CSR initiatives. One of the main reporting appeared in the data is the sustainable reporting. As posit by CSR Manager, main objective of sustainability reporting is to mirror accountability practices in DiGi. Analysis of the interview indicates DiGi takes reporting seriously as in 2009, the new CEO established CSR report purposely as a mechanism of reporting DiGi CSR initiatives. Notably, prior to that DiGi did not highly emphasize on CSR external reports or take part in any CSR reporting competitions such as the MASRA awards promoted by ACCA. Evidence of the statement is depicted as follows:

> "*As Chief Executive Officer of this company, I bear the responsibility to ensure that my decisions are made in the best interest of the Company, its shareholders and stakeholders. I believe that we need to make a change, and someone has to make that first step*" (Sustainability Report 2009, p. 2).

4.3 Self-regulation and assurance

CSR manager confessed that DiGi didn't follow specific standard for it reporting. He further explains the company also refers to the generic framework and methodology proposed by the BM, GRI, ISO14001, AccountAbility 1000 (2008) principles standards. The AA1000 principles standards serves as guidance in stakeholder engagement, GRI Standard for sustainability reporting and ISO14001 for environmental management. According to the data, the standards emphasised on relationship between core business strategies. Triangulating the data, this study found consistency between the CSR Framework and business strategies. It's proved of assurance in respect of validity of information disclosed in the report. DiGi, engaged PricewaterhouseCoopers as

the assurance auditor of selected key performance indicators and GRI application levels. As explained by the CSR manager, "Managing our climate impact" demands a higher quality and accuracy of reporting data, therefore the business had appointed the assurance provider for data reliability and improve their suggestions for enhancement. The statement was supported by United Nations Development Programme (UNDP) press statement:

> "*During the event it was announced that DiGi Telecommunications, Sdn. Bhd has also endorsed the "Caring for Climate" initiative under the UNGC, a first for a Malaysian company. DiGi is honoured to support the UNGC and endorse the Caring for Climate statement for business entities. It is especially timely for us, as we have just launched our own Climate Change programme last week, called, "Deep Green, said Johan Dennelind, CEO of DiGi Telecommunications, Bhd.*" (UNDP, 2008).

4.4 Performance assessment and evaluations

The study found performance refers to monitoring the result from business CSR agenda. As stipulated in the Sustainability Report 2009,

> "*Quarterly updates on the progress are made to the management team, who in turn update the board quarterly on Deep Green achievements and issues. Achievement of the "Deep Green" ambition is embedded in our DNA as evidence of climate targets in our non-financial KPI's upon which we are assessed*" (p.15).

The work achievement and is further explain on the third-party assurance engagement for the performance review which DiGi relates the objective is to increase accountability in the business CR performance data. The central mechanism for measuring the CSR principles is the monthly scorecard report. The objective is to know the performance of every CDR initiative and if possible, to make recommendations for improvement. The reports are prepared by all affected departments and are presented to the CSR director, which is later tabled and discussed in the board meeting. There are four major titles in the report; what is the CSR initiative, the objective and guidelines, key performance indicators, and achievements.

For instance, the report for key performance indicators are training percentages for integrity, compliance and whistle blower programs, customer satisfaction index, electricity consumption, paper consumption, percentage of green procurement and performance of community outreach programmes. As claimed by the CSR manager, there are so many variables to be calculated and it is unique as every department has its own performance measurements to measure the impact of their responsible CSR programmes. The statement and the following Table 2 show the institutionalization of performance assessment.

Table 2: Institutional CR Performance Assessment and Evaluations

Initiative	Objective	Target	Progress (2009)
CR Performance Review	To drive long term shareholder value through increased accountability and transparency	CR practices are inline with recognised (global) practices	Engaged PriceWaterhouseCoopers in 2009 to conduct a CR performance review against GRI, ISO 14001 & GHG Protocols across the company with a view to continuously improve practices and to benchmark ourselves with other major telcos.

Source: Sustainability Report 2009 (p.28)

5. CONCLUSION

DiGi CSR institutionalisation shows that People, Standard, and Reporting are stand-ins for four institutional mechanisms in institutionalized CSR initiatives: participation, self-regulation, assurance, performance assessment and evaluation, reporting, and disclosure. DiGi uses a bottom-up strategy when it comes to the people, with stakeholders taking into account their contribution in the institutionalised corporate CSR agenda, such as participation and self-regulation. According to data for standards, DiGi fulfils its duty and commitment to the

stakeholders in a way that is visible, like assurance, performance assessment, and evaluation. Finally, DiGi use the GRI as the reporting standard when discussing reporting. However, it is not required that a company adhere to a certain CSR standard; instead, the company may develop its own standard or framework, as is the case with DiGi.

Under institutionalisation, businesses must demonstrate how they fulfil their obligations to stakeholders and institutions. It also explains how individual or departmental data sources for CSR reports, like performance reports, must be included in business reporting principles. Businesses are impacted by institutional environments that are communal and networked to respond to requests and expectations from the institutions.

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