A STUDY OF MULTINATIONAL COMPANIES IN THAILAND AND PHILIPPINES: THE USE OF MEDIATION PARADISM ON CORPORATE SOCIAL RESPONSIBILITY

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Abstract- This study addressed the Corporate Social Responsibility (CSR) Programs of seven selected multi-national companies in the Philippines and Thailand. Assessments were made by the employees and the community. The research instrument was validated by thirty experts. Causal-descriptive methods of research were employed. Multiple-regression was used to test the mediation. Results of the study showed mediation of CSR patterns benefitting the community considering the data in the Philippines, while no mediation proven on the data in Thailand. Both countries have extensive CSR patterns benefitting the community and moderate patterns benefitting the environment. Philippines companies did not report positive CSR findings while Thailand companies reported positive findings.

Keywords— corporate social responsibility, mediation paradigm, benefiting the environment, benefiting the community

I. INTRODUCTION

Steiner and Steiner (2012) defined Corporate Social Responsibility (CSR) as a duty of corporation to create wealth in a way that avoids harm to, or enhance societal assets.CSR is becoming a key issue in business. Proponents argue that corporations increase long-term profits by operating with a CSR perspective while critics argue that CSR distracts from business' economic role (Heiman, McWilliams &Zilberman, 2001).

Multinational companies in this study are those that operate in the global market, and have existing business in either Philippines or Thailand. These companies are considered to have attractive revenue, but in return, there would be socially and environmentally impacts as CSR findings of their economic activities which refer to the concept that businesses considering the impact of their activities on their stakeholders.Philippines and Thailand, being both a south-east Asian country, have different form of government and practices. It is further aimed to compare the findings from both countries. This study would explore similarities and differences on CSR patterns and how it mediates to identify the influence of the CSR inputs on the CSR findings.

The research studied three and four multinational companies in Thailand and Philippines, respectively. The said companies belonged to different industries such as bank, oil and gas, construction, information technology, electricity, and food. Dummy names were used to identify these companies for confidentiality. These are Alpha, Beta, Charlie, Delta, Echo, Foxtrot and Golf Companies. The said companies belonged to the top 1000 corporations in the countries. In this study the researchers would measure the CSR finding from both internal and external stakeholders of all seven multinational companies both in Thailand and Philippines.

In this study, it seeks to answer the following: 1) What are the input factors in terms of Firm Profile and Objective of Firm CSR/Motivational Factors. 2)What are the patterns of CSR programs in terms of CSR Programs/Activities, Duration and Frequency, Resource Utilization, Partners, and Beneficiaries.3) What are the CSR findings from both the internal stakeholders and external stakeholders.Therefore, the objective of the study was to compare the mediation of CSR patterns on the relationship between CSR inputs and CSR findings. Specifically, it aimed to: (1) Describe theCSR input; (2) Determine the CSR patterns; (3) Measure the CSR findings benefitting community and natural environment; (4) Determine if CSR Patterns is a mediation factor; and, (5) Compare the findings from Thailand and Philippines

II. THEORETICAL CONCEPTS

In the study of Alhouti, Johnson, & Holloway (2016), theCSR authenticity: Investigating its antecedents, a self-serving motive was not found to be a major determinant of CSR authenticity. Perhaps the research suggests that many consumers lack the knowledge of companies to have a firm opinion about motive for any given company. Emphasizing constricted types of motive might be another explanation as to why self-serving motive was not found to be a significant driver of CSR authenticity. This indicates that CSR authenticity can be a more satisfying explanation than perceived motive in predicting consumer outcomes, given the contradictory findings related to perceived motive and the consistent findings on how authenticity positively impacts consumers' perceptions (Beverland, 2006; Napoli et al., 2014). One way a

company can show remorse is through its CSR actions. The results of both studies demonstrate that CSR actions that are instigated as reparation for some wrongdoing or negative event are seen as authentic if they are perceived by consumers to be an act of true contrition and/or if the firm takes steps to prompt future problems. Reparative CSR actions are seen as inauthentic when they are perceived to be done only out of necessity to save face or if they are seen as ineffectual. Fit has been shown to be ineffective when the company's motive for implementing CSR is perceived as insincere (Becker-Olsen et al., 2006).

According to Rappler.com, which has designed a survey to determine how the companies CSR efforts are integrated into the entire organization especially its profit making aspects. The respondents answered either a printed or the online version of the survey and they also conducted follow-up interviews. Eighty one of the country's largest companies which participated and almost three-fourths generate more than P60 million revenues every year including businesses that operate in Luzon, Visayas and Mindanao. They are also engaged in varied business activities, including manufacturing to outsourcing, financial services, extractive industries, non-profit, retail, and real estate. The key findings are; First, enabling environment for CSR to thrive in Philippine companies remains because people at the top support and push it within the organization. Second, most of the CSR activities are still mainly philanthropy and event-driven, but employee volunteerism has become more prominent in the CSR designs. Third, results assessment, which is basis for further improvement, is generally weak while communication means still traditional and fourth, "Goodwill" is a main motivation for companies to engage in, report, and communicate about their CSR.

According to International Institute for Sustainable Development and the Fronstream Blog (2016), there are two types to consider. The first one consists of corporations providing funding and resources for worthwhile social causes, such as donating money or employee time to charities. However, another type of CSR involves putting together a real plan to produce products or provide services that are in the best interests of society. These include things like using safe materials in design and manufacture, corporate environmental initiatives, and other factors such as job creation and economic development. It must show a true commitment and build a positive workplace environment.Many companies have responded with the development of formal policies that commit them to operate in socially and environmentally responsible ways (Asif et al., 2013). Greater attention by companies to working environment through CSR reporting can benefit employees, corporations, and society. Several researchers have suggested that companies' CSR reporting efforts can motivate internal improvements to enhance their treatment of employees (Jain et al., 2011). CSR is imperative dimension of corporate strategy and not a precondition for business success which find a viable course of action between the what is socially and ethically rights and what is economically profitable (Vogel, 2005), CSR should be deliver the value to the customer in a way that maintains or improves consumer's and the society's well-being for a long time as well.In addition, CSR has a direct effect on business profitability, as well as CSR is the management fad that might has permeated field of managing organizations. Furthermore, in the past, there were the CSR models that some researcher had been designed; first was the CSR perspective that addressed by Carroll (1979)

The paradigm of the study was illustrated in figure 1. The CSR patterns (mediating variable) had explained how and why the CSR input (independent variables) had influenced the CSRfindings (dependent variable). The variations in CSR input significantly account for the variations in theCSRpattern, while variations in the CSR patterns significantly account for the variations in the CSRfindings.

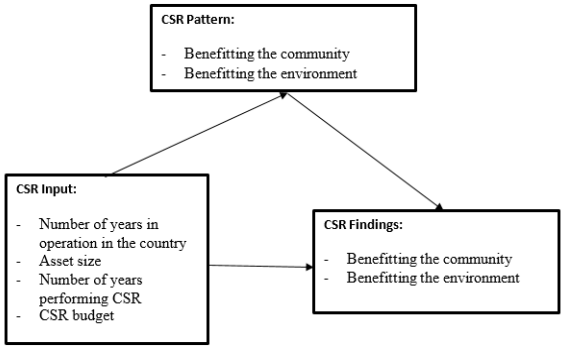


Figure 1 Mediation Paradigm of the Study

III. METHODOLOGY

Research Instrument: Measures and indicators for CSR findings were developed based on literature. The instrument was content-validated using the content validity ratio with the help of thirty jurors (experts) who performed qualitative and quantitative review. Cronbach Alpha and Item Analysis were used for reliability test on internal consistency and test of scales.

Research Procedure: All companies involved in the study are multinational consisting of three operating in Thailand and four in the Philippines. There were a total of 378 respondents. Of which, 211 in the Philippines and 167 in Thailand. The in-depth interview (IDI) was conducted on a mixture of internal (employees) and external (community) participants.

Research Design: The descriptive method was used in conduct of causal and explanatory design. Patterns of practicum program were established by methodological triangulation done by combining qualitative with quantitative methods utilizing matrices.The presence of three variables in the causal

mediation analysis was performed by multiple regression. The test for mediation was conducted by: regressing the patterns on the input;
regressing the findings on the input; and, regressing the findings on both the input and patterns. Separate coefficients for the regressions were tested using all necessary procedures such as interpreting the regression output based on values of standardized coefficients, computed significant t-statistic of each variable, F-value which means that the variation explained by the model is not due to chance, and adjusted coefficient of determination for the explanatory power of group of determinants.

IV. RESULTS

For the CSR Patterns, the study considered two identified major beneficiaries of the CSR Programs such as natural environment and community. The result shows the CSR patterns grouped according to beneficiaries.Patterns of the CSR programs were established based on: (a) beneficiaries of the programs as natural environment and community; (b) regular manner of performance; and, (c) observation of the community.The categories were: (a) Extensive (mean value of 2.51 – 3.0) - on-going, regular, with most number of CSR projects; (b) Moderate (mean value of 1.51 – 1.2.5)– CSR project performed more than once but not regular, occasional or as the needs arise; and, (c) Low (mean value of 1.0 – 1.5) – CSR project done once (0-1 projects).
For the CSR findings, the responses were categorized as reported positive CSR findings(mean value of above 3.51) and did not report positive CSR findings (mean value of 3.51 or lower).
Testing Mediation: Philippines Data
1.Regressing the Mediator on the Independent Variable
The first step in testing mediation was regressing the patterns of CSR for change on the Input Factors. The patterns of CSR (benefitting community)was the dependent variable while the Input Factors was the independent variable. The Philippines data revealed two significant variables namely: number of years doing CSR, with positive relationship; and, number of years operating in the Philippines, with negative relationship. This means that CSR program is most likely extensive when companies spend more number of years performing CSR; and when companies have shorter time of operation in the Philippines. When the Patterns of CSR (benefitting environment) was the dependent variable while the Input Factors was the independent variable, Philippines data revealed two significant variables namely: number of years doing CSR and number of years in the Philippine, with both positive relationship. This means CSR program is most likely extensive when companies spend more number of years performing CSR and longer number of years operating in the Philippines. Results further implied that those companies who are younger conduct extensive CSR patterns benefitting the community while older companies geared towards benefitting the environment.
2.Regressing the Dependent Variable on the Independent Variable
In regressing the CSR Findings (benefitting community) on the Input Factors, the significant factor, with positive relationship, is number of years in the Philippines. This means the CSR Findings (benefitting community) is most likely reported as best practice by companies that operates in a longer time in the Philippines.These companies who operate in longer years in the Philippines may have best practice in their CSR programs but the programs are not extensive as far as the community is the beneficiary. In regressing the CSR Findings (benefitting environment) on the Input Factors, the significant factor, with positive relationship is number of years doing CSR. This means that the CSR Findings (benefitting environment) is most likely reported as best practice by companies that have more than number of years performing CSR projects. When companies are involved in CSR projects for longer time, their focus is more on the environment.
3.Regressing the Dependent Variable on Both the Independent Variable and on the Mediator
The third step in testing mediation was regressing the CSR Findings (benefitting community) for change on the Patterns of CSR (benefitting community) and Input Factors. The Philippines data revealed number of years operating in Philippines and patterns of CSR (benefitting the community) as significant indicators of CSR findings. This means that the CSR Findings (benefitting the community) is most likely reported as best practiced by companies that have longer number of years operating in Philippines and performs extensive CSR patterns benefitting the community. When regressing the CSR Findings (benefitting environment) for change on the Patterns of CSR (benefitting environment) and Input Factors, number of years doing CSR is the significant indicator. The Patterns of CSR (benefitting the environment) is not significant. This means that the CSR Findings (benefitting environment) is most likely reported best practice by companies that have greater number of years doing CSR.
Mediation of the Patterns of CSRs
With respect to benefitting the community, being Patterns of CSR becoming a significant variable, this satisfies the conditions of Mediation. This means that the Input Factors is assumed to cause the Patterns of CSR (benefitting community). This time, the significant independent variables are those that turned significant on all the three regression models. Therefore, going over the three models, the significant variable is only number of years operating in Philippines.The mediation further means that when the mediator is changed then the effect of the

independent variable on the dependent variable will also change.Considering the paradigm of this study, the mediator can be controlled to have a perfect mediation and attain the objective of putting the CSR Program at best practice. With respect to benefitting the environment, Patterns of CSR is not a significant variable, there mediation do not exist. The significant indicator of CSR findings (benefitting the environment) is number of years doing CSR. As the company is getting more involved in CSR programs, the more they focus on the environment.

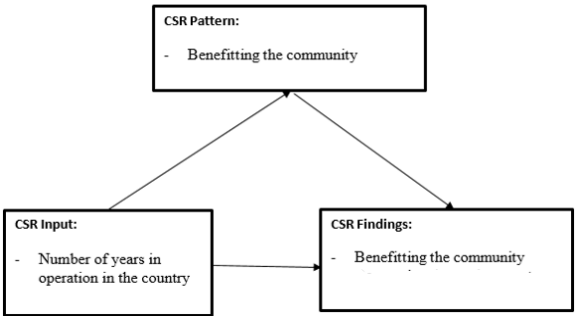


Fig. 2: Resulting Mediation Paradigm – Philippines

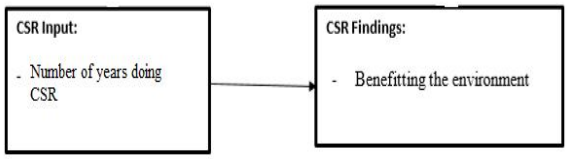


Fig. 3: Resulting Paradigm – Philippines

Further evaluation of the final model to satisfy the assumptions of regression:

The ANOVA analysis in regression tests the acceptability of the model from a statistical perspective. The significance value of the F= 24.831 significant at .000 is less than 0.05, which means that the variation explained by the model is not due to chance. Adjusted R Square= .223 which was computed from the coefficient of determination, the squared value of the multiple correlation coefficient. It shows that about 22.3% of the variation in the dependent variable is explained by the model. The remaining 77.7% comprises other variables not considered in this model.The t-statistics for each determinant exceeded the study's significance level of $\alpha = .05$, therefore the individual variables were significant. A residual is the difference between the observed and model-predicted values of the dependent variable. The residual for a given variable is the observed value of the error term for that variable.

Thailand Data

1.Regressing the Mediator on the Independent Variable

Considering the Thailand data, no relationship established between the factors considered in this analysis because the values on the Patterns of CSR (benefitting community) was constant. Statistical analysis is done to check variations in responses thus no processing result output when responses are constant.When the Patterns of CSR (benefitting environment) was the dependent variable while the Input Factors was the independent variable, Thailand data revealed two significant variables namely: Number of years doing CSR and budget for CSR with both positive relationship. This means that companies with longer exposure in CSR and higher CSR budget allocation are more extensive on programs benefitting the environment.

2.Regressing the Dependent Variable on the Independent Variable

In regressing the CSR Findings (benefitting community) on the Input Factors, the significant factor, with positive relationship, are number of years doing CSR and Budget for CSR. This means that companies with longer exposure in CSR and higher CSR budget allocation are reporting best practice on CSR programs benefitting the community. In regressing the CSR Findings (benefitting environment) on the Input Factors, the significant factors, with positive relationship are number of years doing CSR and budget for CSR. This means that companies with longer exposure in CSR and higher CSR budget allocation are reporting best practice on CSR programs benefitting the environment. This is the same result to that of benefitting the community.

3.Regressing the Dependent Variable on Both the Independent Variable and on the Mediator

The third step in testing mediation was regressing the CSR Findings (benefitting community) for change on the Patterns of CSR (benefitting community) and Input Factors. Considering Thailand data, no relationship or mediation was established because responses on the Patterns of CSR (benefitting community) were constant.When regressing the CSR findings (benefitting environment) for change on the Patterns of CSR (benefitting environment) and Input Factors, the significant factors is number of years operating in Thailand only. The pattern of CSR is not significant.

Mediation of the Patterns of CSR - Thailand

With respect to benefitting the community and environment, no mediation exists. The significant indicators of the CSR findings, benefitting both community and environment are number of years doing CSR and CSR budget. As the company is becoming more expose in CSR, their CSR findings are reported best practice for both the community and the environment.

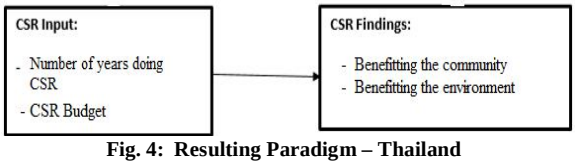


Fig. 4: Resulting Paradigm – Thailand

Comparing the models of the Philippines and Thailand

The similarity in both countries is in the CSR benefiting the environment. In both cases, there was no mediation; and, the similar indicator of the CSR

findings is only the number of years doing CSR.Mediation was only proven on the Philippine data considering the CSR benefitting community. It is the number of years in existence in the Philippines that causes the patterns of CSR. While the patterns of CSR causes the CSR findings. Older companies in the Philippines have extensive patterns and best practices on CSR programs benefitting the community. Companies with longer number of years doing CSR are more focused on the programs towards the environment.Thailand data was so consistent at having two significant indicators of CSR findings. Those who are performing CSR at longer number of years and allocating higher CSR budget are reporting best practices on CSR benefitting both the community and the environment.

CONCLUSION

In response to the objectives, the following conclusions were drawn: (1) Companies involved in the study are: (a) operating in the respective countries from 18 to 100 years; (b) performing CSR programs from 5 to 36 years; (c) reported more than 2 BillionBaht and 1 Billion peso in total assets; and, (d) reported CSR budget range of 1Million Baht to105Million Baht and on the average 5 Million Pesos.(2) In both countries, companies had extensive CSR patterns benefiting the community and moderate patterns benefiting the environment.(3) Philippines did not report best practice on CSR findings benefitting both the community and environment. Thailand reported best practice on CSR findings benefitting both the community and environment. (4) CSR patterns benefitting the community is a mediator only in the Philippines. (5) Similarities in both countries are: CSR pattern benefitting the environment is not a mediator; and number of years doing CSR is a significant indicator of CSR findings benefitting the environment. Older companies in the Philippines have extensive patterns and best practices on CSR programs benefitting the community. Companies with longer number of years doing CSR are more focused on the programs towards the environment. In Thailand, those who are performing CSR at longer number of years and allocating higher CSR budget are reporting best practices on CSR benefitting both the community and the environment.

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