



SHAREHOLDER ACTIVISM AND CORPORATE SOCIAL RESPONSIBILITY IN MALAYSIA

HİSSEDAR AKTİVİZMASI VE MALEZYA'DA KURUMSAL SOSYAL SORUMLULUK

Muhammad Aiman AWALLUDDIN¹

1. School of Business, University of Sakarya, 54050 Serdivan/Sakarya, Turkey, muhammed.awaluddin@ogr.sakarya.edu.tr, aimanawalluddin@gmail.com, <https://orcid.org/0000-0002-3409-1153>

Makale Türü Article Type
Araştırma Makalesi Research Article

Başvuru Tarihi Application Date
26.02.2019 02.26.2019

Yayına Kabul Tarihi Admission Date
24.02.2020 02.24.2020

DOI
<https://doi.org/10.30798/makuiibf.532662>

Abstract

The purpose of this paper is to shed light on the issues of shareholder activism in Malaysia. The findings shows that shareholder activism already taken place in Malaysia. Although, it is not as rigorously and actively as compare to developed country, the existence of shareholder activism in Malaysia indicated the awareness is rising. Shareholder activism is one of the vital element in corporate governance framework to ensure good governance practice. By engaging company, shareholders ensuring there is a check and balance on the course of action taken by company. Furthermore, the research outcome also indicates shareholders are likely to use voting rights and dialogue in engaging companies to practice good CSR. Voting rights is considered as powerful means because voted resolution shows the will of the shareholder. Additionally, dialogue can enhance transparency and openness between shareholders and management of company. Besides, through dialogue, shareholders may signal to the management of the company on the importance of CSR, instead of shareholder supremacy. Having two way communication can improve mutual understanding between both parties and indicate good corporate governance.

Keywords: *Shareholder Activism, Corporate Social Responsibility, Public Listed Company, Corporate Governance, Malaysia,*

Öz

Bu çalışmanın amacı Malezya'daki hissedar aktivizmi konularına ışık tutmaktır. Bulgular, hissedar aktivizminin Malezya'da zaten gerçekleştiğini göstermektedir. Gelişmiş ülkede olduğu kadar aktif ve katı bir şekilde olmasa da, Malezya'da hissedar aktivizminin varlığı farkındalığın arttığını göstermektedir. Hissedar aktivizmi, iyi yönetim pratiğinin devamı için kurumsal yönetim çerçevesinde gerekli unsurlardan biridir. Şirketle iş birliği yaparak, hissedarlar, şirket tarafından gerçekleştirilen işlemler sırasında kontrol ve denge sağlarlar. Ayrıca, araştırmanın sonuçları, hissedarların iyi KSS uygulamaları için anonim şirketlerdeki oy kullanma haklarını ve diyalogu kullanacağını göstermektedir. Oy hakları güçlü bir araç olarak kabul edilir, çünkü oy kullanma kararı hissedarın iradesini gösterir. Ek olarak diyalog yoluyla hissedarlar, şirket yönetimine hissedarların üstünlüğü yerine KSS'nin önemi konusunda sinyal verebilirler. İki yönlü iletişim kurmak taraflar arasındaki karşılıklı anlayışı geliştirebilir ve bu durum iyi kurumsal yönetimi gösterir.

Anahtar Kelimeler: *Hissedar Aktivizmi, Kurumsal Sosyal Sorumluluk, Halka Açık Şirket, Kurumsal Yönetim, Malezya,*

GENİŞLETİLMİŞ ÖZET

Çalışmanın Amacı

Bu araştırma, Malezya'daki hissedar aktivizmi seviyesini ve onların şirketin kurumsal sosyal sorumluluk üstlenmesini sağlama konusundaki yöntemlerini belirlemeyi amaçlamaktadır.

Araştırma Soruları

Kurumsal Sosyal Sorumluluk (KSS) uygulamalarının geliştirilmesinde hissedar aktivizmi faaliyetleri arasındaki ilişki nedir? Kurumsal Sosyal Sorumluluk (KSS) uygulamalarının geliştirilmesinde en etkili hissedar aktivizm aktiviteleri (Kurumsal Görev / Diyalog, Hissedar Kararı / Teklif ve Oy Hakkı) nedir?

Çalışmanın Önemi

Çalışma, özellikle kurumsal sorumlulukla ilgili olarak şirketin kararına aktif olarak katılma hakkı konusunda pay sahiplerinin farkındalığını ve anlayışını arttırmaktadır. Ayrıca, Malezya'daki Sosyal Sorumlu Yatırımın gelişiminin kapsamını da bilmektir.

Yöntem

Bu çalışmanın araştırma tasarımı, nicel yöntem ve kesit tasarımına dayanmaktadır. Kesitsel tasarım, değişkenlerin belirli bir zamanda incelenmesini içerir. Bu çalışma için kurumsal sekreter pozisyonundan 269 katılımcı seçilmiştir.

Sonuç ve Değerlendirme

Bulgu, hissedar aktivizmi ile KSS katılımı arasında pozitif bir ilişki olduğunu göstermektedir. Bir başka hipotez, oy haklarının gücü ve hissedarlar ve şirketler arasındaki kurumsal diyalog, şirketlerin KSS gündeminde yer almasında etkili yöntemler olarak görülmektedir.

1. INTRODUCTION

The introduction of corporate social responsibility (CSR) has roped in significant attention from academia world and has quickly become one of the important corporate agenda over the past years (Crawford & Scaleta, 2005). Burke & Logsdon (1996) in their finding shows that social responsibility programmes may create strategic benefits for the firms. Doing CSR may add value for the firm, increase company reputation, and long-term engagement with stakeholders may change customer's perception on the company (Servaes & Tamayo, 2013). Nevertheless, not taken CSR seriously may jeopardize company well-being as reported by (Fatemi & Fooladi, 2013). Demands on CSR is growing year by year, even the practice is voluntary action. According to the (Moravcikova, Stefanikova, & Rypakova, 2015) demands on volume CSR reporting is increasing in recent years. Stakeholders are interested in what company has done for the community and environment. CSR requires company to "relinquish" their sole objective from profit-oriented and shift to overall view to the establishment of wider system of social relations.

In Malaysia, CSR practice has been pushed by Bursa Malaysia, by introduced Bursa Malaysia Framework of CSR and The Securities Commission of Malaysia who views development of CSR as a good corporate governance framework within business organization. In addition, Kuala Lumpur Stock Exchange (KLSE) also has initiated Kuala Lumpur Stock Exchange Corporate Awards to promote good CSR practice among listed companies. In efforts to incorporate CSR practice among Government Link-Corporation (GLCs), the efforts can be observed from Silver book one of series of GLCs Transformation Programme, with the aim to support national Vision 2020 (Putraya Committee, 2007). The rigorous efforts initiated by authority bodies gain support from top executive's managers who regarded CSR practice as an ethical responsibility for corporations (Muwazir, 2011). The practice of CSR also gain momentum among SME, who actively doing CSR in area of marketplace, workplace, environment and community (Andy & Mustapha, 2013).

Good CSR practice may benefit the business organization as a whole. Various studies done by past researchers has open the door for business organization to understand the concept of good corporate citizenship. The basic reason lies on companies are operating by getting social license from the society, taking surrounding resources from i.e nature and society. Hence, it is their ethical duties to give back what they take to gain social support. A study done by Raza et al. (2014) shows there is a good relationship between CSR practices with company financial performance. Another line of study by Khan, Muttakin & Siddiqui (2013) shows practicing

CSR may improve corporate image, less intervention by government, tax incentive and gain support from society. In a local study done by Abdul & Ibrahim (2002) reveals that majority of managers believed that CSR may assist companies to improve long term profitability and provide favorable image from society.

Despite of good benefit practicing CSR, the issue of CSR in Malaysia is baffling. The findings by Lu & Castka (2009) there is confusion over the meaning of CSR in Malaysia, the use of CSR only for PR, and mandatory vs voluntary of CSR. In addition, the previous statement by Zarinah, Chairman of SC, CSR is no longer about donating money but integrating social and ethicality into business strategy and practice (Susam Tam, 2007) raise and issues whether the company in Malaysia truly understand the CSR concept or just meeting the requirement set by the authority bodies. Furthermore, several published studies claimed there is an issue with the CSR disclosure, such as disclosure have public-relation bias as a norm (Nik Nazli, Maliah & Siswantoro, 2003), low disclosure among GLCs (Ruhaya & Noraida, 2013) and there is a need of improvement of CSR guidelines in term of voluntary and mandatory reporting (Dalilawati & Suria, 2013). However, recent studies disclose that there is an increasing trend of corporate social disclosure such as Sadou, Alom & Laluddin (2017) claimed that there is slight increase in the extent of quality of Corporate Social Disclosure in Malaysia between 2011 and 2014 and there is an increase trend in CSR disclosure among Malaysians GLCs from year 2011 and 2015 (Hanim Norza, 2017).

Basically, the trend of CSR disclosure in Malaysia is raising, thanks to rigorous efforts play by authority bodies in promoting CSR practice. However, despite of the raising trend in CSR disclosure, the issues of the extent of transparency still exist (Nor Shahira & Rosmiza, 2017). Albeit, CSR disclosure is mandatory, companies are freely to disclose on what they want and not required to follow on the recommendation. Some of company's management still sees CSR as a cost and viewing Bursa Malaysia's requirement as merely a compliance exercise (The Malaysian Reserve, 2017). Perhaps to ensure company being transparent and viewing CSR as mutually benefit is by having shareholder plays active role. According to O' Rourke (2003) activist may raise both financial and social issues, reflecting both shareholders' and stakeholders' concern for triple bottom line of economic, social and environment performance. Therefore, this paper aims to study on the shareholder activism roles in enhancing CSR practice among public listed companies in Malaysia.

2. LITERATURE REVIEW

2.1 Shareholder Activism

Over the past decade and until now, the main issues of CSR still lies on the argument given by Friedman (1970) on the shareholder supremacy. The company's managements are still in dubious whether CSR really bring a positive impact to the firm financial performance. Despite rigorous initiative done by authority bodies, some company's management still believe they are socially obligated towards shareholder. This raise a question, should shareholders pressure their invested company on practicing CSR, even if the benefits of CSR in is still ambiguous? A study done by Stuart Hart in 1996 titled "Does it pay to be Green" has found a positive relationship between CSR and financial performance. Therefore, to ensure managements adopted CSR practise effectively shareholder activism is the effective way. Shareholder engagement is a way in which shareholders can influence a corporation's decision by exercising their rights as owners of the corporation. When shareholders express their opinions in an attempt to influence a corporation, they are called as "active shareholders". An activist shareholder usually uses an equity stake in a corporation to put public pressure on its management. Although shareholders do not run the company, there are ways for them to influence the board of directors and management.

The rise of the shareholder activism became more common and effective beginning in the 1970s (Welker & Wood, 2011). Previous literature entitled "The History of Shareholder Activism" stated that shareholders activism exists due to two landscape that are highlighted here, (1) the benefits of shareholder proposals and (2) the rise of institutional investors (Bebchuk, 2007). Based on previous cases, the proposal submitted by the shareholders is intended to improve corporate governance of the company and ways to improve the price of the company's shares instead of giving attention towards social issues. In addition, when submitting the proposal, the mechanism in addressing social issues had already been emphasized since 1980s. For institutional investors, the large number of shares owned by the shareholder can entice them to improve from a passive shareholder into active shareholder by monitoring how the company is managed. The rise in the Institutional investors makes shareholders become an activist to demand to be part of the company's maintenance and growth (Souha & Anis, 2016).

Shareholders uphold their rights to obtain relevant information including financial and non-financial materials about the organisation in a timely and regular basis. Shareholders must

be provided with adequate facilities to communicate with the top management in monitoring the corporate governance practices in the organisation (Harry, 2006). Monks & Minow (2004) describes shareholders as the owners of the corporations, thus shareholders can be the agents of change towards the betterment due to their right as the owner of the organisation by holding a shareholdings block. Some interesting cases regarding shareholders pressured companies on issues such as black rights and equal opportunities happened in the 1960's and 1970's (O'Rourke, 2001). For example, the case against General Motors led by Ralph Nader's argued that General Motors should be more responsible to society needs in some of the areas concerns such as product safety, environmental pollution and employment discrimination (Monks & Minnow, 1991).

2.2 Shareholder Activism Tools

2.2.1 Corporate Dialogue

A vital element for corporation in building a good relationship with their shareholders is through dialogue. Dialogue should be the medium for shareholders and board to engage a positive relationship. Unfortunately, a study shows a dialogue between director-shareholders are always challenging because they only speak and communicate when there is a sensitive situation occur (Bromilow et al. 2014). If a dialogue being something that is common or tradition to them, the effectiveness during the engagement session would be more effective and smoother. When shareholders voicing out something that is genuine, directors should hear and gives feedback as this will be a great opportunity for the company in expanding their disclosures in the area that concerned all investors. The area on CSR and sustainability are now should be one of the main concerns among shareholders in Malaysia. According to Sandberg (2011) shareholders demanding on full disclosure of CSR report, sustainability report, and Global Reporting Initiatives (GRI) starts to be the one of the subject matters that has been dialogued between shareholders and management during annual general meeting. Some companies might enter into dialogue with the aim of getting shareholder activist withdraw the resolution before it gets printed and distributed to all shareholders.

2.2.3 Shareholders Resolution

Apart from dialogue, submitting resolution could be the way for the shareholders in pressuring the company to listen to them. Accordingly, through shareholder resolution company's management is expected to take course of action voted by shareholder. The shareholders should clearly state the course of action that company should follow through exercise of their rights to ask questions, provide views and vote during general meeting

(MCCG, 2016). During general meeting, shareholders should discuss resolution thoroughly, rigorously and debate about the outcome by asking the view from expert attending such as internal auditor, company secretary or accountant to get their views on the business action. Resolutions are more prominent to institutional investors as compared to individual shareholders because, in fact, not all people can simply submit the proposal to the corporation. In most countries, shareholders are required by law to circulate the proposal a few weeks before the AGM. Another unfortunate fact is that, resolutions can be time consuming, involves money and demands complicated procedures. In addition, shareholders resolutions are non-binding, management are not obliged to implement them (Sandberg, 2011). However, some great difficulties and risk could give high returns. Powerful resolutions are so much impactful, and many socially minded investors try to change the behaviour of the corporation through an introduction of social resolutions (Sandberg, 2011). In order to successfully influence the company through resolutions, the resolutions need to get enough votes at the AGM (at least for the proposal to pass formally).

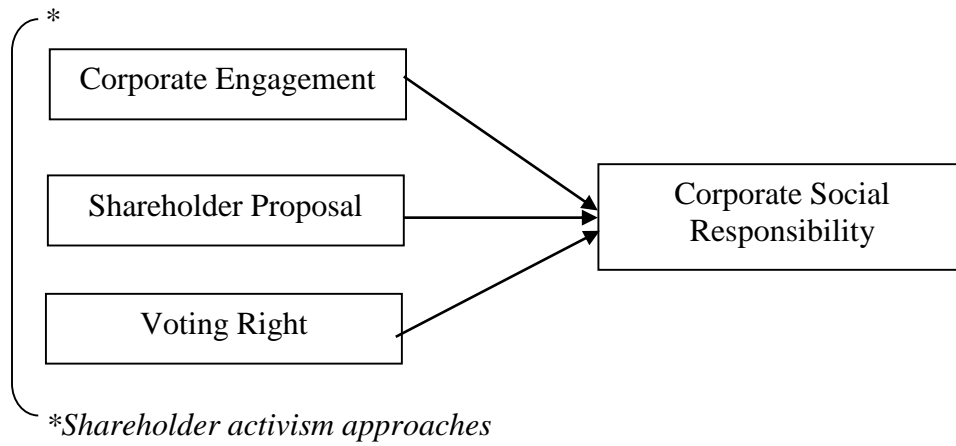
2.2.4 Voting Right

Voting right seems to be the most practical way for the shareholders to exercise their right whether to support or not support the decision made by the organisation. Once a person holds a share in the corporation, he/she entitled to one vote in the general meeting. There are different kinds of voting styles; the most common is by show of hand or by poll voting. Show of hand is 'one hand one vote' while poll voting refers to 'one share one vote'. Show of hand does not count the number of shares that person hold but through poll voting the larger share that person hold the more significant his/her vote on those resolutions. In practice, whether the resolution is voted through show of hand or poll it is based on the article of the association of that organisation. During general meetings, shareholders are able to participate actively by engaging board of director and senior management effectively by making informed voting decision to affect business course of action (MCCG, 2016). The shareholder vote is considered as the most powerful tool owned by investors to engage their invested company (Bebchuk, 2005). This is because, voted decision hardly not being implemented and any tries not to execute it will be inviting negative course of action from investors. Previous empirical evidences found that shareholders do exert pressure on board of directors even when their vote at shareholders' meetings is not legally binding (Bizjak & Marquette, 1998; Thomas & Cotter, 2007; Ferri & Sandino, 2009; Ertimur et al. 2010).

3. CONCEPTUAL FRAMEWORK AND HYPOTHESIS

A variable that is a cause in the study is called as independent variables while variable act as an effect is known as dependent Variables (Field, 2012). Based on this study, the independent variables are: Corporate Engagement or Dialogue, Shareholder Resolution or Proposal and lastly Shareholder Voting Right. While for Corporate Social Responsibility is the dependent variable.

Figure 1: Conceptual Framework of Study



3.1 Hypothesis 1: Shareholder Activism

According to Sparkes and Cowton (2004) there is an increasing number of institutional investors adopting Socially Responsible Investing (SRI) approach in recognising and developing the firm's CSR activities. In 1970's and early 1980's, socially oriented activism was led by the Interfaith Centre on Corporate Responsibility and they were using shareholder proposal process as a way of working for peace and justice in the organisation or by the organisation. The most famous filed resolutions are on South African Apartheid and against militarism (O'Rourke, 2002). Referring to the case of 'Campaign GM' combined with the 'Project on Corporate Responsibility' where the shareholders led by Ralph Nader's argued for General Motors to be more socially responsible to meet society's needs in a range of certain areas which are product safety, environmental pollution and employment discrimination. The campaign was succeed by using shareholder proxy votes as a means to pressure the company and gained high profile media interest (O'Rourke, 2002). In Malaysia, local researchers argued that shareholder activism still at infancy stage (Sarina & Borges, 2015), while another claimed there is lack of study on shareholder activism in Malaysia (Maizatul Akma, 2012). However, Minority Shareholder Watchdog Group claims that the awareness is raising (Teng, 2016) and

investors actively engaging their invested company for better corporate governance (Edge Malaysia, 2018).

Hypothesis 1: There is positive relationship between shareholder activism and CSR.

3.2 Hypothesis 2: Shareholder Activism Main Tools

According to Brancato & Rabimov (2007) voting process has been used for over more than 60 years in U.S where shareholders have been actively demanding the management of the organisation to address social issues especially through proxy voting process. This was started by the two individual investors known as 'The Gilbert brother' who formed the first shareholder activist group in 1930's (O'Rourke, 2002). The power to propose issue through practicing formal voting right is the most rewarding to shareholders when there is no cost needed and not really time consuming when they wanted to amend or voice out their demand and practically voting could bring into formal decision (Matsusaka & Ozbas, 2011). In Malaysia, the exercise power of voting rights stated in MCGG, which recognize the mean that shareholder can use to engage their invested company. Using voting rights, shareholder can decide whether resolution is going to pass or not, to elect directors, to decide director's remuneration and office term and to name company accountant. Thus, it is concluded that voting power as a main influential shareholder activism tool in engaging invested companies.

Hypothesis 2: Voting right is the most influence shareholder activism method in engaging organisation to be more CSR oriented.

4. METHODOLOGY

The research design of this study is based on quantitative method and cross-sectional design. Quantitative method was selected to allow for a broader study, involving greater number of subjects, and enhancing the generalisation of the results. It is also reduce research bias and increase the objectivity and reliability of the study. Hence, a snapshot result of CSR among PLCs can be recorded and be standardized. Cross-sectional design involves a survey of the variables at a given period. In addition, it also measures the correlations between variables. Cross-sectional design is also appropriate to be used if the research objectives are correlational in nature. The respondents are company secretary, who possess good information regarding on company activities. They are also considered bridge between company and shareholders, as they are the one who responsible to organize any meetings within the company and count vote during general meeting. As accordance to Bursa Malaysia, there are 922 Public Listed Companies, 815 in Main Market and 107 in ACE Market. According to Krecjie & Morgan

(1970), if the population have 915 person, researcher just need to get a feedback from 269 person. The rationality of Krecjie and Morgan table to simplify the process of determining the sample size for a finite population, increase effective method of developing sampling size and also for easy reference. Thus, the sample size around 269 respondents who hold Company Secretary' position in public listed companies in Malaysia. They were choosing because it is their obligation to set up meeting and agenda for CSR matters. They also actively monitoring shareholder relations and being a bridge between corporation and its shareholder. Because of that, they have enough information pertaining to shareholder activism. For the purpose of this study, systematic sampling is selected as the technique of the sampling. Systematic sampling is samples that are chosen in a systematic or regular way. Questionnaire will be used as medium for data collection because the format similar to all respondents, information is collected in a standardized way, and to encourage simple and quick data collection for those professional profession who has tedious working hours and tasks. Collected date will be analysed using SPSS 22.0. Questionnaires are divided into three division based on the variables, (1) corporate engagement and dialogues, such as; (a) shareholders demand the management to disclose more information on annual report, and (b) shareholders actively voice their ideas during the general meetings. For second division, (2) shareholder resolution/proposal, such as; (a) Shareholders tend to issue social proposals rather than governance proposals, and (b) shareholders use resolutions to propose issues to a company. And for last division, (3) shareholders voting right, such as; (a) shareholders usually vote 'no' (against) any resolution that they think it is not for the benefits of society at large, and (b) Majority of the shareholders will appoint a proxy/corporate representative if unable to attend the meeting. Hypothesis 1 will be tested using correlation and for hypothesis 2, variable will be tested using regression. Both items are based on Likert Scale (1= strongly disagree and 5=strongly disagree).

To ensure validity and reliability of the study, the test has been carried out. The KMO and Bartlett's Test result of validity should be more than 0.6 while for the significant should be less than 0.6. The KMO value of this study is 0.766 which indicate no issue with the validity and the significant value is 0. Thus, the data have good factor analysis. The Cronbach Alpha test helps researcher to measure the stability and consistency of test scores. According to Sekaran (2009), reliability coefficient closer to 1.00 indicates high reliability, reliability less than 0.60 are considered as poor; those in the range of 0.70 are considered as acceptable and those over 0.80 are considered good. The test shows that each variable has a good and reliable Cronbach's Alpha score, such as; (a) corporate dialogue/engagement 0.783, (b) shareholder resolution/proposal 0.668, and (c) shareholders voting right 0.735.

5. RESULTS AND DISCUSSION

5.1 Hypothesis 1: Shareholder Activism

The first objective of this study is to examine whether there is a relationship between shareholder activism in enhancing Corporate Social Responsibility (CSR) practices in Public Listed Companies in Malaysia. This objective was examined through correlation test. According to Sekaran and Bougie (2009), the correlation analysis is done to trace the mutual influence of variables on one another. Correlation is a measure of the relation between two or more variables. Correlation coefficients may range from 0.00 to 1.00. The value of -1.00 represents a perfect negative correlation, while a value of +1.00 represents a perfect positive correlation.

Table 1. Correlation Test

Variable	Mean	Standard Deviation	DV- CSR	IV- Dialogue	IV- Proposal	IV- Voting
DV- CSR	3.8379	.44233	1			
IV- Dialogue	3.4918	.49373	.426**	1		
IV- Proposal	3.3595	.47531	.123	.183*	1	
IV- Voting	3.3617	.51291	.426**	.406**	.171*	1

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed). Values in the diagonal are the Cronbach Alpha

Table 1 result was hypothesized and shows that there is a positive relationship dialogue, proposal and voting rights towards CSR. The ‘**’ in the table above shows the correlation is significant at the 0.01 level. The findings show that only dialogue (0.426) and voting right (0.426) have significant correlation. Whilst, shareholder proposal was assumed as not significant to affect CSR activities within business organization. Overall, corporate engagement/dialogue and exercising voting right shows correlation significant at level 0.01 at moderate level, while shareholder proposal or resolution have positive correlation but not significant in increasing CSR performance in the organization. Thus, the primary objectives of this study were accepted.

Hypotheses 1: There is a positive relationship between shareholder activism and CSR engagement (Accepted).

The findings are supported by Sparkes & Cowtoon (2004) argued that shareholders especially institutional shareholders are now focusing on SRI investments. In addition, the findings also in line with Minority of Shareholders Watchdog Group who stressed that shareholders are now more aware about shareholder activism in pushing companies for better corporate governance.

5.2 Hypothesis 2: Shareholder Activism Main Tools

The second objective of this study is to determine which method of shareholder activism that are most influential to affect CSR practices among PLC. For the purpose of this objective, multiple regression test was conducted. The result of regression is equations that represent the best prediction of a dependent variable from several independent variables. Sekaran and Bougie (2009) reported that the regression is used in a situation where an independent variable is hypothesized to affect a dependent variable. Multiple regression analysis uses more than one independent variable to explain variance in the dependent variable. It provides a means of assessing the degree and the relationship between independent variables and dependent variables.

Table 2. Beta Result For Variables

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.973	.308		6.414	.000
Dialogue - IV	.270	.070	.301	3.868	.000
Proposal - IV	.015	.067	.016	.220	.826
Voting - IV	.260	.067	.302	3.884	.000

a. Dependent Variable: CSR_DV

Based on table 2, the most influence variable is voting right, beta is equal to $\beta=0.302$ as compared to dialogue with only small difference which is $\beta=0.301$. The beta proposal variable shows weak contribution as shareholder activism tools, $\beta=0.016$. Furthermore, the significant value for proposal is very high which is 0.826, hence, it was perceived that it was not very effective as a means for shareholder activism. The significant value should less than 0.05. If the value is above than 0.05, the independent variable does not have strong relationship or significant relationship with dependent variable. Based on the table 2, significant value for

dialogue and voting both are 0.000. This indicated that both are very effective means for shareholder to exert pressure on the CSR performance in company. Thus, hypothesis 2 need to be adjusted by adding dialogue variable as another effective means for shareholder activism.

Hypothesis 2: Voting right is the most influence shareholder activism method in engaging organisation to be more CSR oriented

Adjusted Hypothesis 2: Voting right and dialogue are considered effective means for shareholder activism in engaging company to be more CSR oriented (adjusted and accepted).

The findings were in line with (Matsusaka & Ozbas, 2011) who claimed that voting right requires no cost and most practical for shareholders in exercising their right seems significant for shareholders to pressure the board about their ideas and matters concerned. If the vote is majority, it becomes a formal decision and company bound to make the result into action. For proposal variable, the practice is considered as complicated, time consuming and involves cost. It seems to be very less effective and not often used by the shareholders in Malaysia. Besides, management is not obliged to follow the matters stated in the proposal. Thus, it can be concluded that shareholders in Malaysia are more likely to attend, speak and vote at general meeting as compared to submit a proposal in order to make changes in the management decision. Furthermore, the research outcome also indicated that dialogue is another effective way to engage company for CSR. As mentioned by Sandberg (2011) dialogue process requires company to disclose their activity to shareholders. This disclosure can take into form of Sustainability Report and GRI standard. The benefit of dialogue is promoting effective two-way communication between company's management and shareholders, increase sensitivity of CSR through full disclosure including questions and answering session which enhance accountability and transparency of company's management. According to Ellinor and Gerard (1998) dialogue acts as a foundational communication process that assists in creating environment of high trust and openness, with reflective and generative capacities. In addition, open dialogue between shareholder and company's management are recommended to be conducted regularly, as the practice does not only promote trust and openness but also may reduce future agency cost.

6. CONCLUSION

Overall, the aim of this paper is to explore on the matter of shareholder activism and contribute to the literature study on corporate governance in Malaysia. The goal of this study indicated that shareholder activism already taken place in Malaysia. Building on previous

studies, this study reveals that corporate governance in Malaysia is no longer at infancy stage as believed by many researchers. It examines whether shareholder activism has taken place or not in form of CSR practice and what is the most effective method taken by shareholders in engaging their companies. Therefore, the study helps to shed light on shareholders concern, which they are no longer merely focusing on their wealth maximization but also vigorously campaigning on social change through shareholder activism. The study also give an insight to practitioners and academicians to extend their study in this field due to lack of prior knowledge.

The efforts done by authority bodies such as Bursa Malaysia and Securities Commission should not be undermined, as Malaysia's corporate governance framework considered outstanding among developing country. Although, shareholder activism seen already taking place, their rigorously and activity should not be compared with developed country. The significant of this study increase the awareness and understanding of the shareholders about their rights to actively participate in the company's major decision. They get to know that their responsibility on holding others' shares is not primarily to make more moneys or profits but it is also to help the society to live in a better place. Profits are attractive and desirable but meeting the society and environmental demands will be sustainable and good for a long run. Apart from that, this study might also make shareholders activist widen up their perspective on the motivations of activism, which is not necessarily in monetary terms but activism can go as far as non-monetary terms. Furthermore, shareholders get to know which method of activism that are really significant to CSR in Malaysian corporation. This study also give value to the PLCs itself in which they might start to think about sustainable business practices. Since CSR is an effort to look at the company's long-term interest and ensuring the company's future stability, this will benefit the PLCs to the viability of their existence in a long period of time. For company secretary, this study may enlighten them with an important of CSR agenda as company secretary considered officer in Malaysian Companies Act 2016. They are not only involving in chartered secretarial things but also act as an adviser to top management and ensure company compliance with statutory and regulatory requirement. Hence, they play significant role to influence company goes beyond merely requirement as prescribed by Bursa Malaysia's requirement.

Furthermore, the findings also show that among shareholder activism means, voting right and dialogue rank the highest one in Malaysia. Perhaps, because any voting decision will be taken seriously by the company. Ignoring such decision may jeopardize company reputation and open to be penalized by authority bodies. Besides, dialogue is another effective way to push

management act in shareholder's interest. This is because, management is trying hard to discharge their fiduciary duties toward shareholders. By knowing shareholders attention on social development, this may give signal to management that shareholders are no longer care about their maximization of wealth. The issues of CSR are no longer one side responsible, but it is a responsible for shareholders and managements to decide the course of action that must be taken by the company. To ensure company adopting CSR practice shareholders must play vital role by engaging their investee company regularly and to the extent they should focus on Social Responsible Investment (SRI) before deciding to pour their money.

REFERENCES

- Andy, L., & Mustapha, M. (2013). CSR in Small and Medium Enterprises: Evidence from Malaysia. 2nd International Conference on Management, Economics and Finance (2nd ICMEF 2013) Proceeding. Sabah
- Abdul, Z., & Ibrahim, S. (2002). Executive and management attitudes towards corporate social responsibility in Malaysia. *Corporate Governance: The International Journal of Business in Society* 2(4), 10-16
- Burke, L. and Logsdon, J.M. (1996) How Corporate Social Responsibility Pays Off. *Long Range Planning* 29(4), 495-502.
- Bebchuk, L. A. (2007). The Myth of Shareholder Franchise. *Virginia Law Preview* 93(3), 675-732.
- Bromilow, C., Cloyd, M. A., Dixon, C., Himelfarb, P. J., & Morrow, J. (2014). Director Dialogue with Shareholders, The Corporate Board. Retrieved from <https://www.weil.com/~media/files/pdfs/directordialoguewithshareholders.pdf> (Accessed 1.1.2019).
- Bebchuk, L. (2005). The case for increasing shareholder power. *Harvard Law Review*, 118(3), 835–914.
- Bizjak, J., & Marquette, C. (1998). Are shareholder proposals all bark and no bite? Evidence from shareholder resolutions to rescind poison pills. *Journal of Financial and Quantitative Analysis*, 33(4), 499-521.
- Brancato, C.K., & Rabimov, F (2007). The 2007 Institutional Investment Report. Conference of Board Rep, Con. Board Inc. New York.

- Crawford, D., & Scaleta, T. (2005). The Balance Scorecard and Corporate Social Responsibility: Aligning Values and Profits. *CMA Management*, 20-27
- Dalilawati, Z & Suria, Z. (2013). Corporate Social Responsibility Reporting in Malaysia: A Research Note. *Journal of Accounting and Perspective* 6, 21-36.
- Ertimur, Y., Ferri, F., & Stubben, S. (2010). Board of directors' responsiveness to shareholders: Evidence from shareholder proposals. *Journal of Corporate Finance*, 16(1), 53-72.
- Fatemi, A. M., & Fooladi, I. J. (2013). Sustainable Finance: A New Paradigm. *Global Finance Journal* 24(2), 101-113.
- Ellinor, L., & Gerard, G. (1998). *Dialogue: Rediscover the Transforming Power of Conversation*. London: Wiley
- Friedman, M. 1970. The social responsibility of business is to increase its profits. *New York Times Magazine*, September 13: 32-33, 122-124.
- Ferri, F., & Sandino, T. (2009). The impacts of shareholder activism on financial reporting and compensation. The case of employee stocks expensing. *The Accounting Review*, 84(2), 433-466.
- Field, A. P. (2009). *Discovering statistics using SPSS*. Los Angeles. SAGE Publications.
- Hanim Norza, B. (2017). The Determinants of Corporate Social Responsibility Disclosure: The Case of Malaysian Government-Linked Companies in Malaysia, *SHS Web of Conferece*, 36, 1-16.
- Khan, A., Muttakin, M. B., & Siddiqui, J. (2013). Corporate governance and corporate social responsibility disclosures: evidence from an emerging economy. *Journal of business ethics*, 114(2), 207-223.
- Krejcie, R.V., & Morgan, D.W. (1970). Determining Sample Size for Research Activities. *Educational and Psychological Measurement*, 30, 607-610
- Lu, J. Y. & Castka, P. (2009) Corporate Social Responsibility in Malaysia-Expert Views and Perspective. *Corporate Social Responsibility Environment and Management* 16, 146-154.

- Moravcikova, K., Stefanikova, L., & Rypakova, M. (2015). CSR Reporting as an Important Tool of CSR Communication. *Procedia Economics and Finance* 26(15), 332–338.
- Muwazir, M. M. (2011). Corporate social responsibility in the context of financial services sector in Malaysia (Doctoral dissertation, Cardiff University). Retrieved from <https://orca.cf.ac.uk/21878/1/2011MuwazirMRPhD.pdf> (Accessed 30.12.2018)
- Monks, R. A. G., & Minow, N. (2004). *Corporate Governance*. Blackwell Publisher.
- Monks, R. A. G., & Minow, N. (1991). *Power and Accountability*. HarperBusiness.
- Malaysian Code on Corporate Governance. (2016). Retrieved from <https://www.sc.com.my/api/documentms/download.ashx?id=70a5568b-1937-4d2b-8cbf-3aefed112c0a> (Accessed 1.1.2019)
- Maizatul Akma, M. (2012). The Influence of Institutional Shareholder Activism as a Corporate Governance Monitoring Mechanism in Malaysia. *International Journal of Social, Behavioral, Educational, Economic, Business and Industrial Engineering* 6(11). 3110-3114.
- Matusaka, J. G., & Ozbas, O. (2011). Shareholder Empowerment: The Rights to Approve and the Right to Propose. Retrieved from <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.220.7379&rep=rep1&type=pdf> (Accessed 1.1.2019).
- Nik Nazli, N. A., Maliah, S. & Siswanto, D. (2003). Corporate Social Responsibility Disclosure in Malaysia. An Analysis of Annual Reports of KLSE Listed Companies. *International Journal of Economics and Management and Accounting* 11(1).
- Nor Shahira, A. A. & Rosmiza, A. (2017). A Review on the indicators disclosed responsibility reporting of public listed companies in Malaysia. *Journal of Human Development* 10(2), 1-14.
- O' Rouke, A. (2003). A New Politics of Engagement. *Shareholder Activism For Corporate Social Responsibility. Business Strategy and the Environment* 12(4), 227-239.

- Putrajaya Committee, (2007). Catalyzing GLC Transformation. Retrieved from <https://www.oecd.org/daf/ca/corporategovernanceofstateownedenterprises/40792845.pdf>. (Accessed 30.12.2018)
- Raza, A., Ilyas, M. I., Rauf, R., & Qamar, R. (2014). Relationship between Corporate Social Responsibility (CSR) and Corporate Financial Performance (CFP): literature review approach, *Elixir Financial Management* 46, 8404–8409.
- Ruhaya, A., & Nuraida, M. R. (2013). CSR Reporting by Government Linked Companies and their Corporate Attributes. *Australian Journal of Basic and Applied Science* 7(4), 163-171.
- Servaes, H., & Tamayo, A. (2013). The Impact of Corporate Social Responsibility on Firm Value: The Role of Customer Awareness The Impact of Corporate Social Responsibility on Firm Value: The Role of Customer Awareness. *Management Science*, 59(5), 1045–1061.
- Susan Tam, (2007). CSR is more than philanthropy says Zarinah. The Star Online. Retrieved from <https://www.thestar.com.my/business/business-news/2007/08/24/csr-is-more-than-philanthropy-says-zarinah/> (24.12.2018)
- Sadou, A., Alou, F. & Laluddin, H. (2017). Corporate Social Responsibility Disclosures in Malaysia. Evidence from large companies. *Social Responsibility Journal* 13(1), 177-202.
- Stuart L. Gillan and Laura T. Starks. (2003). Corporate Governance, Corporate Ownership, and the Role of Institutional Investors: A Global Perspective. Working paper series. Retrieved from [http://webkuliah.unimedia.ac.id/ebook/files/gillan\(inst-investors\).pdf](http://webkuliah.unimedia.ac.id/ebook/files/gillan(inst-investors).pdf) (Accessed 30.12.2018)
- Sandberg, J. (2011). Changing the world through shareholder activism. *Etikk I Praksis - Nordic Journal of Applied Ethics*, 5(1), 51-78.
- Sparke, R., & Cowton, C. J. (2004). The Maturing of Socially Responsible Investment: A Review of the Developing Link with Corporate Social Responsibility. *Journal of Business Ethics*, 53(1). 45-57.
- Sekaran, U., (2009). *Research Method For Business: A Skill Building Approach*. 4th Edition, Willey, India, New Delhi.

- Sekaran, U & Bougie, R. (2009). *Research Method For Business: A Skill Building Approach*. 5th Edition, John Wiley and Sons Inc., Hoboken.
- Sarina, O., & Borges, W. G. (2015). Shareholder Activism in Malaysia: Is it Effective? *Procedia-Social Behavioral Sciences*. 172(27). 427-434.
- The Malaysian Reserve. (2017). Mandatory sustainability reporting poses a challenge for the first timers. Retrieved from <https://themalaysianreserve.com/2017/04/03/mandatorysustainabilityreporting-poses-challenges-for-first-timers/> (Accessed 30.12.2018)
- Thomas, R., & Cotter, J. (2007). Shareholder proposals in the new millennium: Shareholder support, board response, and market reaction. *Journal of Corporate Finance*, 13(2-3), 368-391.
- Teng, L. J. (2016). It's time for more shareholder activism. *The Edge Financial Daily*. Retrieved from <https://mswg.org.my/sites/default/files/-8779.pdf> (Accessed 1.1.2019)
- Welker, M. & Wood, D. (2011). Shareholder Activism and Alienation. *Current Anthropology* 52(3), 57-69.
- Yun, T. Z. (2018). The Impact of Shareholder Activism. *The Edge Malaysia*. Retrieved from <http://www.mswg.org.my/sites/default/files/The%20Impact%20Of%20Shareholder%20Activism.pdf> (Accessed 1.1.2019).