

UNIVERSITI TEKNOLOGI MARA

**AN EMPIRICAL ANALYSIS OF
CORPORATE LEGITIMACY
THROUGH CORPORATE
RESPONSIBILITY ACTIVITIES
AMONG GOVERNMENT-LINKED
COMPANIES (GLCs):
THE INFLUENCES OF
SPECIAL INTEREST GROUPS**

MAHADIR LADISMA @ AWIS

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of the requirements for the degree of
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CONFIRMATION BY PANEL OF EXAMINERS

I certify that a panel of examiners has met on 12th January 2015 to conduct the final examination of Mahadir Ladisma @ Awis on his Doctor of Philosophy thesis entitled “An Empirical Analysis of Corporate Legitimacy Through Corporate Responsibility Activities Among Government-Linked Companies (GLCs): The Influences of Special Interest Groups” in accordance with Universiti Teknologi MARA Act 1976 (Akta 173). The Panel of Examiners recommends that the student be awarded the relevant degree. The panel of Examiners was as follows:

Posiah Mohd Isa, PhD

Professor

Faculty of Administrative Science and Policy Studies

Universiti Teknologi MARA

(Chairman)

Jasmine Ahmad, PhD

Associate Professor

Faculty of Administrative Science and Policy Studies

Universiti Teknologi MARA

(Internal Examiner)

Afzalur Rashid, PhD

Senior Lecturer

School of Commerce, University of Southern Queensland, Australia

(External Examiner)

Avvari V. Mohan, PhD

Associate Professor

Nottingham University of Business School (NUBS), University of Nottingham, Malaysia

(External Examiner)

SITI HALIJAH SHARIFF, PhD

Associate Professor

Dean

Institute of Graduates Studies

Universiti Teknologi MARA

Date: 29th March, 2016

AUTHOR'S DECLARATION

I declare that the work in this thesis was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the result of my own, unless otherwise indicated or acknowledged as referenced work. This thesis has not been submitted to any other academic institution or non-academic institution for any other degree or qualification.

I, hereby, acknowledge that I have been supplied with the Academic Rules and Regulation for Post Graduate, Universiti Teknologi MARA, regulating the conduct of my study and research.

Name of Student	:	Mahadir Ladisma @ Awis
Student ID No	:	2011436882
Programme	:	Doctor of Philosophy (AM990)
Faculty	:	Administrative Science and Policy Studies
Thesis Title	:	An Empirical Analysis of Corporate Legitimacy Through Corporate Responsibility Activities among Government-Linked Companies (GLCs): The <i>Influences</i> of Special Interest Groups

Signature of Student	:	
Date	:	March 2016

ABSTRACT

Corporate social responsibility (CSR) is one of the new corporate governance mantras that give some credence to stakeholder theory of corporations. Studies have examined the interest in, levels and effects of CSR investments on employees, customers, investors etc. However, CSR is an intermediate outcome. Corporate legitimacy is what corporations seek to achieve through CSR although this is not always explicit. This study examines the relationship between corporate responsibility and corporate legitimacy. Secondly, corporate responsibility intensity and types of corporate responsibility activities have been examined from the standpoint of shareholders, customers, employees and other groups closely linked to the businesses. These are undoubtedly sections of society but they are role restricted groups. This study examines the less role restricted special interest groups (SIGs) that represent and/or speak on behalf of the various components of the society. The study focused on 17 publicly listed Government Linked Corporations (GLCs) which are pressured by their owner – the government, to be socially sensitive and responsible in their business activities. The three main aims of the study are: (i) to determine the level of corporate legitimacy perceptions of GLCs in the eyes of SIGs as proxies for society (special interest groups); (ii) to examine whether and which type of corporate responsibility activities of GLCs influence their corporate legitimacy perceptions; and (iii) to find out the extent to which the SIGs characteristics moderate the relationship between corporate responsibility activities and corporate legitimacy of GLCs. 17 research hypotheses were developed and tested to examine the relationship between three dimensions of corporate responsibility activities – philanthropy related, business related and product related and corporate legitimacy with three SIG characteristics (size, age and access factor) as moderators. The study employed a cross-sectional sample survey designed to collect data from a pre-selected list of SIGs obtained from the Registrar of Societies, Malaysia. From a list of about 22,119 societies, 377 were shortlisted covering six categories of societies. Partial Least Square-Structural Equation modelling (PLS-SEM) was used to analyse the data collected from a sample of 266 SIGs in Malaysia. The empirical results indicate that corporate responsibility activities significantly influence the corporate legitimacy perceptions of GLCs by the SIGs. This study also found that there is a positive relationship between two of the three components of corporate responsibility activities of GLCs: philanthropy and business practices-related and corporate legitimacy. However, there was no support for the hypothesis that SIG's characteristics moderate the relationship between corporate responsibility activities and corporate legitimacy. The study expands the remit of traditional CSR studies to truly venture into the societal components which are not directly dependent on the businesses in questions. Customer, employees and investors are important direct stakeholders in the businesses. Studying the SIG's perceptions expands the boundaries of the CSR investigations. Secondly, returning to the latent but the eventual outcomes of corporate responsibility, links corporate responsibility to its precursor or predecessor construct – corporate legitimacy. The relationship of corporate responsibility to corporate legitimacy is in focus in this study. These two lines of investigations make important contribution to the theory and practice of CSR.

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