

**CORPORATE SOCIAL RESPONSIBILITY OF DEVELOPERS
IN PRODUCT PERSPECTIVE. CASE STUDY: JOHOR BAHRU**

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DEDICATION

Dedicated to my beloved hubby Richard, daughter Xin Ru,
parents, brothers and sisters.

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ABSTRACT

This study deals with the implementation of Corporate Social Responsibility (CSR) in product perspective among the developers in the study area, Johor Bahru. For turning in good profits, the quality issues are inevitably sacrificed by most of developers as they rush to build and complete houses. Furthermore, there are over supply of unsold stock of completed properties in the housing market after economy recession. Today, developers are often at cross roads about the hard infrastructure they need to provide to satisfy the needs and wants of home buyers such as parks, garden and open space. Since there are remaining unsolved issues, more drastic action needs to be taken on critical housing projects and public awareness programmes especially to promote CSR among developers. Therefore, the objective of this study is to examine the implementation of CSR in product perspective by the developers and their impacts towards the township developments in Johor Bahru. In this study, four methodologies were employed: Questionnaire, the Customer Perspective of Balanced Scorecard Strategy Map, frequency approach and cross tabulation analysis. The questionnaire is designed by the measurement of Customer Perspective in Balanced Scorecard Strategy Map. The data collected are based on primary and secondary sources. In the process of the study, literature review is carried out by referring to the secondary sources of data that were be obtained and concluded from the previous studies, existing scholars work, journals, research papers and other sources such as property market report and published information from housing organization such as REHDA and House Buyers Associates (HBA). While, primary data will be derived from the interview with developers who have registered under REHDA based on random sampling method whereby 19 respondents will be taken from the total 50 developers located in Johor Bahru. The data collected will be analyzed through frequency approach and cross tabulation. Result of analysis tend to confirm the primary evidence from questionnaire survey whereby the effectiveness of CSR in product perspective implemented by developers by offering variety in product attributes to the community through the provision of security concept, well planned facilities and amenities have eventually shaped the township developments in Johor Bahru. Not all developers are affordable to complement CSR as company policy. Even, not all product attributes are contributed to CSR because it required a very strong financial capital to achieve CSR in product perspective. For those companies who have successfully implemented CSR in product perspective are those who have a very strong sales revenue recorded track and at the same time they have many on going sites projects development through the country. Usually these companies are belongs to public listed.

ABSTRAK

Kajian ini berkaitan dengan pelancaran Tanggungjawab Social Korporat (CSR) dalam pembangunan perumahan di kalangan pemaju perumahan di Johor Bahru. Demi mencapai keuntungan tinggi, kualiti merupakan satu isu yang sering diabaikan oleh kebanyakan pemaju semasa menyiapkan perumahan. Selain itu, terdapat kelebihan penawaran rumah siap di pasaran selepas keruntuhan ekonomi. Para pemaju perumahan sekarang juga menghadapi kesulitan dalam menawarkan corak perumahan selaras dengan memenuhi kepuasan pembeli-pembeli dari segi penyediaan taman bunga dan kawasan lapang. Memandangkan masih banyak isu perumahan yang belum diselesaikan, langkah-langkah drastik perlu diambil segera untuk menangani masalah projek perumahan di samping menganjurkan program-program untuk meningkat keprihatinan dalam masyarakat terutamanya dalam mengalakkan CSR di kalangan pemaju. Dengan itu, matlamat kajian ini adalah untuk mengkaji pencapaian para pemaju dalam CSR berasaskan produk yang bakal membawa perubahan dalam projek pembangunannya. Terdapat empat kaedah yang akan digunapakai dalam menjalankan kajian ini, iaitu soal selidik, “Customer Perspective of Balanced Scorecard Strategy Map”, pendekatan kekerapan dan perbandingan. Pada permulaannya, soal selidik akan direka berasaskan ukuran yang terkandung dalam “Customer Perspective in Balanced Scorecard Strategy Map”. Pengumpulan data boleh didapati menerusi data primari and data sekunder. Dalam proses menyiapkan kajian ini, kaji selidik dalam data sekunder juga dilakukan melalui kajian lepas, kertas kerja siswazah, kertas kerja pembentangan dan lain-lain rujukan serta cetakan yang berkenaan dengan perumahan dari REHDA dan HBA. Selain itu, data primari boleh diperolehi melalui kaedah temuduga dan soal selidik kepada para pemaju yang berdaftar di bawah REHDA di mana persampelan secara mudah rawak akan digunakan, iaitu seramai 19 orang pemaju telah diambil daripada jumlah 50 keping soal selidik yang diedarkan di pasaran Johor Bahru. Kemudian, pendekatan kekerapan dan perbandingan akan digunakan untuk membuat analisa mengenai data yang dikumpulkan. Keputusan daripada kajian soal selidik didapati bahawa pelancaran CSR oleh pemaju-pemaju dalam penawaran produknya kepada masyarakat dengan mengambilkira konsep keselamatan, dan kemudahan sosial telah membawa perubahan yang efektif dalam projek pembangunan di Johor Bahru. Dengan itu, tidak semua pemaju berupaya menjadikan CSR sebagai polisi syarikat. Begitu juga bukannya semua ciri-ciri produk dapat menyumbang kepada CSR kerana ini memerlukan keupayaan kewangan yang tinggi. Lazimnya, para pemaju yang berjaya menjalankan CSR dalam aspek produk adalah terdiri daripada syarikat yang besar dengan pencapaian jualan yang tinggi dan mempunyai pelbagai projek pembangunan di seluruh negara.

TABLE OF CONTENTS

CHAPTER.	CONTENTS	PAGE
	TITLE	i
	DECLARATION	ii
	CERTIFICATION	iii
	DEDICATION	iv
	ACKNOWLEDGEMENT	v
	ABSTRACT	vi
	ABSTRAK	vii
	TABLE OF CONTENTS	viii
	LIST OF TABLES	xiii
	LIST OF FIGURES	xv
	LIST OF ABBREVIATIONS	xvi
	LIST OF APPENDICES	xvii
I	INTRODUCTION	
1.1	Introduction	I

1.2	Problem Statement	3
1.3	Aim of Study	5
1.4	Objectives of Study	6
1.5	Scope of Study	6
1.6	Significance of Study	8
1.7	Research Methodology	11
	1.7.1 Data Collection	13
	1.7.2 Data Analysis	14
1.8	Chapters Layout	15
2	LITERATURE REVIEW ON CORPORATE SOCIAL RESPONSIBILITY: DEFINITIONS AND CONCEPT	
2.1	Introduction	16
2.2	Definitions	18
	2.2.1 Corporate/ Corporation	18
	2.2.2 Social	20
	2.2.3 Responsibility	21
	2.2.4 Corporate Social Responsibility	22
	2.2.5 Product	24
2.3	Corporate Social Responsibility: The Concept	26

2.4	Characteristic of Corporate Social Responsibility	30
2.5	Corporate Social Responsibility of Developers In Product Perspective	31
2.6	Conclusion	35
3	RESEARCH METHODOLOGY	
3.1	Introduction	37
3.2	Frequency Approach and Cross Tabulation Analysis	38
3.3	The Balance Scorecard Strategy Map	38
3.3.1	The Financial Perspective	41
3.3.2	The Customer Perspective	41
3.3.3	The Internal Perspective	42
3.3.4	The Learning and Growth Perspective	44
3.4	Corporate Social Responsibility In Product From Customer Perspective	44
3.4.1	Product/ Service Attributes	47
3.4.1.1	Price	48
3.4.1.2	Quality	50

3.4.13	Availability	51
3.4.1.4	Selection	51
3.4.1.5	Functionality	53
3.4.2	Relationship	54
3.4.2.1	Service	56
3.4.2.2	Partnership	56
3.4.3	Image	58
3.4.3.1	Brand	60
3.5	Conclusion	64
4	ANALYSIS OF DATA AND FINDINGS	
4.1	Introduction	66
4.2	Background of Developers	67
4.3	Data Analysis	69
4.4	Analysis of CSR from Customer Perspective	70
4.4.1	Property Type and Pricing	71
4.4.2	Accessibility	75
4.4.3	Infrastructure	76
4.4.4	Public Amenities and Recreational Facilities	77

4.4.5	Security Features and Services	80
4.4.6	Type of Township Developments	81
4.4.7	Sales Services	83
4.4.8	Post Sales Activities	86
4.4.9	Social Responsibility Towards Society	91
4.5	Conclusion	92
5	CONCLUSION AND RECOMMENDATION	
5.1	Introduction	94
5.2	Summary of Findings	94
5.3	Problem and Limitation	101
5.4	Recommendation for Further Study	104
5.5	Conclusion	105
	BIBLIOGRAPHY	107

LIST OF TABLES

TABLE NO.	TITLE	PAGE
2.1	Most Desired Township Concept	33
2.2	Most Desired Features In New Township	34
2.3	Top Five Most Desired Public Amenities	34
3.1	Top Six Most Important Purchase Factors Other Than Price and Location	58
4.1	Summary of Developers' Profile	68
4.2	Range of Price Offered According to Housing Type	73
4.3	Factors Determine Price and Exercise Lower Price	74
4.4	Accessibility of Township	76
4.5	Infrastructure	77
4.6	Public Amenities and Recreational Facilities	79
4.7	Security Features and Services Offered Without Charging Maintenance Fee	80
4.8	Type of Township Development	82

4.9	Business Hour	83
4.10	Retaining Strategies	85
4.11	Rectification of Defects and Installation of Loose Fittings	86
4.12	Categories of Complaint	87
4.13	Action Taken Upon Vacant Possession	89
4.14	Social Responsibility Towards Society	92

LIST OF FIGURES

FIGURE NO.	TITLE	PAGE
1.1	Methodology of the Study	12
3.1	The Balanced Scorecard Strategy Map	40
3.2	The Customer Perspective of Balanced Scorecard Strategy Map	46

LIST OF ABBREVIATIONS

BLR	Base Lending Rate
CCTV	Closed Circuit Television
CFO	Certificate of fitness for Occupation
CSR	Corporate Social Responsibility
HBA	House Buyers Associates
REHDA	Real Estate and Housing Developers' Association Malaysia
R&D	Research and Development
SEE	Social, Ethical and Environmental
SPA	Sale and Purchase Agreement
SPSS	Package for Social Science Research
SRI	Socially Responsible Investing
UK	United Kingdom
US	United State
VP	Vacant Possession

LIST OF APPENDICES

- Appendix 1** Schedule G of Housing Development (Control and Licensing Regulations)
 Clause 29 Stamp and Registration Fee
- Schedule H of Housing Development (Control and Licensing Regulations)
 Clause 33 Stamp and Registration Fee
- Appendix 2** Clause 19 (2) Payment of Service Charges
 Schedule H of Housing Development (Control and Licensing Regulations)
- Appendix 3** Schedule G and H of Housing Development (Control and Licensing Regulations)
 Clause 9 (1) Interest on Late Payment
- Appendix 4** Schedule G of Housing Development (Control and Licensing Regulations)
 Clause 24 (3) Manner of Deliver of Vacant Possession
 Clause 25 Vendor to Obtain the Certificate of Fitness for Occupation
 Clause 26 (1) Defect Liability Period
- Schedule H of Housing Development (Control and Licensing Regulations)
 Clause 27 (3) Manner of Deliver of Vacant Possession
 Clause 29 Vendor to Obtain the Certificate of Fitness for Occupation
 Clause 30 (1) Defect Liability Period
- Appendix 5** Schedule H of Housing Development (Control and Licensing Regulations)
 Clause 28 (1) Completion of Common Facilities

- Appendix 6** Schedule G of Housing Development (Control and Licensing)
Regulations
Clause 19 Maintenance of Services
- Appendix 7** Schedule G of Housing Development (Control and Licensing)
Regulations
Clause 18 Payment of Outgoings
Schedule H of Housing Development (Control and Licensing)
Regulations
Clause 22 Payment of Outgoings
- Appendix 8** Questionnaire

CHAPTER 1

CHAPTER 1

INTRODUCTION

1.1 Introduction

Changing lifestyles and escalating costs of real estate, as well as the innovative application of new technologies and new materials are some of the forces shaping new residential environments. In the local context, we are witnessing changes in demographic and household formations. This is affecting what is being built and where it is built. Creative knowledge workers who are well educated, finally comfortable and highly mobile are increasingly driving the economy. From career-driven urban singles to suburban families, people are leading multitasked lives that demand customized residences. As the lines between work and play blur, more and more building are built with greater regard to their surroundings and enhance the environment (Lim Lay Ying, Property Times, 11 June 2005, pp 11).

Embracing Corporate Social Responsibility (CSR) would be one way practice for development and construction companies to achieve the goal in providing residents with all the conveniences and amenities and offering an appealing quality of

life in a safe environment. The selection CSR criteria includes the examination of the company on: the philosophy of company towards social responsibility, commitment to health and safety, protection of the environment, fairness in working conditions, reputation of company as a role model in the housing and construction industry in Malaysia, community development, contribution to charity and the strength of company brand (G. Umakanthan, Property Times, 6 August 2005, pp 4).

The rewards from CSR would be manifold. For instance, developers that take these steps would create a brand name for their projects, built a reputation for themselves and be accepted as responsible corporate citizens. Taking a cue from the Government's efforts to promote CSR, estate agency SK Brothers Realty Sdn Bhd has been pushing for CSR and awarded six property and construction companies with "CSR Certificates" during the Grand Raya – Xmas Home Ownership Campaign 2004 (HOC 2004). Mah Sing Properties Sdn Bhd with its objective to provide its buyers with quality products through "uncompromising commitment towards total customer satisfaction" is one of these companies has seen the benefits of good CSR practice by exceeding sales performance targets for its projects in the Klang Valley and Johor. Besides, Guthrie Property Development Holding was recognized for its Bukit Jelutong development in Shah Alam, Selangor which won numerous awards, including 'Best Planned Township' from the Malaysian Institute of Town Planners in year 1997 and 'Best Neighbourhood Landscape' from the State Government in year 2001. Other developers had been awarded of Certificate of CSR included PECD Group (Peremba Jaya Holdings Sdn Bhd), Glenmarie Cove Development Sdn Bhd, Putrajaya Holdings Sdn Bhd and Hicom – Gamuda Development Sdn Bhd were also

named as socially responsible corporate citizens and issued with the CSR certificates as well (Property Times, 11 December 2004, pp 6).

Today, the housing industry market possesses a whole range of products started from affordable homes to high-end properties. Government of Malaysia has to step up effort to promote awareness of CSR in the property sector. Such effort will bring about greater acceptance of its principles and quality management as well as the value-add impact on various areas in society. The CSR awards to developers, who adopted the principles of good governance and contributed to society through their infrastructure development, will continue to fuel competition among developers to build not only largest and profitable township, but also the best and healthy environments for the residents.

1.2 Problem Statement

Referring to the monitoring and enforcement by Division of the Ministry of Housing and Local Government, complaints and grievances of house buyers have been classified under three broad categories – technical, non-technical and violations of the Housing Development Act and Regulations. Since the defective workmanship and late delivery of housing units topped the list of complaints received in 2000 – 2005 by the Division of the Ministry of Housing and Local Government, more drastic action needs to be taken on critical housing projects and public awareness programmes (Loo Pik Kwan, The Sun, 14 December 2005, pp 16). For turning in good profits, the quality issues are inevitably sacrificed by most of developers as they rush to build and complete houses.

In fact, as property developers expanding their businesses and scramble for market share, the consistency in product quality is possess a growing challenge especially when buyers are getting more discerning. In order to manage the business operation successfully, developers have to take into consideration the interest of purchasers and property needs through CSR. They have to ensure quality of the houses in good condition upon delivery of vacant possession (VP). This will bring them a good reputation. Having established a good reputation and maintained excellent relationship with customers in terms of quality products provided, the sales revenue will increase promptly by the potential buyers who assess for the developer's reputation and track record. At the end, developer would have converted CSR into a product perspective offered to public. Thus, CSR in product perspective can be acknowledged as a good instrument to be adopted by developers in order to identify the complaints made by house buyers and resolve the house buyers' grievances.

Property purchased is an investment can also be used to live in or passed on to future generations. In the past, developers hardly considered the requirement for open space in their projects. Developers are often at cross roads about the hard infrastructure they need to provide to satisfy the needs and requirement of home buyers. When the property market becomes more competitive, understanding the shape and form of future consumer market is crucial for housing developers. Consumer choices and needs have changed, and therefore developers are learning to provide homes according to consumer demands in addition to household structure, education and occupation profiles, as well as income levels. Today, consumers are drawn to the newer townships that feature on the major valued concepts featuring

park, garden and open space. They are looking for homes and willing to pay for living in a community that offers good quality of life and fosters personal fulfillment.

With comparative established price range, every developer has the fair share on their segment market by way of offering more choice in terms of products from affordable homes to high-end lifestyle properties. Apart from price attributes such as cost, location, and sizes of houses are main indicators to effect on the housing prices, developers have to provide value-added features and green environments in their township developments. Developers have discovered that to achieve competitive advantage in housing industry, a new and innovative use of the open space need to be created through implementation of CSR. Moreover, with the creative application of new materials, innovative designs and new technology, successful developers have offered a wide array of amenities and infrastructure to attract the homebuyers. This is a challenge to the real estate industry as how the developers through implementation of CSR in product perspective have eventually affected the township developments.

1.3 Aim of Study

The study is aimed at the effectiveness of CSR in product perspective implemented by developers and its affects towards the township developments in District of Johor Bahru, State of Johor.

1.4 Objectives of Study

The objectives of the study are as follows:

1. To review the CSR in product perspective within the property development;
2. To identify the criteria and attributes contributing to the CSR in product perspective which have been practiced by the developers located in District of Johor Bahru, State of Johor; and
3. To examine the implementation of CSR in product perspective by the developers and their impacts towards the township developments in District of Johor Bahru, State of Johor.

1.5 Scope of Study

There is growing perception within the corporate and shareholder communities that companies can perform well in the social, ethical and environmental arena and also perform well financially. Innovest Strategic Value Advisors, an organization that rates companies in more than 50 industries according to a wide spectrum of social, environmental and corporate governance issues have provided evidence that companies with better corporate governance, superior social and environmental ratings also have the best performing shares as well.

In the academic literature there are a number of reasons given for a possible positive relationship between CSR and corporate financial performance. Alexander and Buchholz (1978) has found that if company management act in socially responsible manner they are more likely to possess the skills to run a company well,

improving its financial performance and making it an attractive investment (Jill Solomon and Aris Solomon, 2004, pp 191 – 193).

In Malaysia context, Government through estate agency SK Brothers Realty Sdn Bhd has been pushing for CSR. The awarded six property and construction companies with “CSR Certificates” during the Grand Raya HOC 2004 would create a brand name for their projects, built a reputation for themselves and be accepted as responsible corporate citizens.

Thus, the focus of study will encompasses the criteria contributing to the CSR in product perspective which have been practiced by the developers who registered under Real Estate and Housing Developers’ Association Malaysia (REHDA) located in District of Johor Bahru, State of Johor.

Product perspective is refer to single property such as single storey terrace house or range of properties being developed under one particular project in one particular place. The major components of product in a project development comprised of residential (landed property and strata property), commercial (shop, shopping complex, market), recreational (park, lake, club house) and public amenities (transport terminal, education institution). In addition, product can also be considered as service. The property sector creates or provides tangible services and facilities such as parks, resorts, recreation sites and public facilities (Abdul Hamid Mar Iman, 2002, pp 152 - 153).

In this case, the measurement of product perspective shown in Figure 2.2 Customer Perspective of Balanced Scorecard Strategy Map that consists of product or service attributes, relationship and image. The product or service attributes comprised of property type and price, accessibility of township, infrastructure, public amenities and recreational facilities, security features and services towards the overall township developments. These product criteria provided by developers which contribute to CSR will affect the township development.

Meanwhile, other elements of CSR on product within customer perspective exercised by the developers include sales services and post sales activities carried out by developers are maintaining the rapport relationship with the homebuyers. To enhance the image of company, contribution of social responsibility will strengthen the reputation of company. Henceforth, the study examines the product attributes that contribute to CSR and its impact on township developments.

1.6 Significance of Study

The study offers developers, homebuyers and bankers a comprehensive framework of CSR in product perspective. The study will help the developers to anticipate the property market pertaining to customers' behaviour. They can determine the right profile such as demographics and psychographics of a market, preferences, tastes and purchase motivations. Developers would be more aware that the sales performance is not achieved by implementing the marketing strategies alone.

In fact, making CSR in product perspective by developers into company policy is also important to create reputation and brand name of developers. With focusing on a strong presence, strong branding and a track record through CSR, the CSR developers will outperform the rest and lead to the increment of sales value. With identification of the product attributes of CSR in project developments, this study will strengthen the awareness among the developers to ensure the housing projects are smooth-going and deliver in time to homebuyers. Meanwhile, embarking CSR in product perspective by developers could therefore enable them to plan, build and manage a well-maintained development township which is beneficial to everyone.

Mindsets and practices of developers need to be change. Upon rapid changing lifestyle emerged in the housing industry tremendous opportunities for developers to benefit by putting CSR efforts especially in product perspective. The Malaysian lifestyle has become more discerning and demanding. Buyers prefer unique features, innovate architectural and structural designs together with better landscaping and quality finishing. People with greater wealth will look for more values and greater lifestyle properties. For as long as the economy grows, developers have to look for niche areas to develop by taking into consideration factors such as lifestyle and security.

In order to continue attracting buyers, developers have to offer better human values on houses for the masses by embarking value-added features and green environments in their township developments. For homebuyers, they will always looking for the township developments comprised of elements of CSR. This will illustrated the developers' commitment to implement CSR as a strategic tool to drive

competitiveness and achieve highly sales value in long term. The study stepped into more acute perspective on the consumer behaviour and patterns which brings the impacts toward township developments. This study will examine the variety of product that have been offered by developers, which have embarked on CSR and responded to the change of human needs and values which has effected to the township developments.

Although our economy continues prosperous and competition becomes more intense, product's quality still remains an issue affecting housing industry. Quality is a key area that developers should look into in order to make projects development more appealing. Innovation and quality improvement will lure buyers and investors into acquiring more than one property, either for their families or investment. Such improvement should be used as a platform to attract local and foreign investment. This can prevent a mismatch between supply of product and consumer demand and help to reduce property overhang. Thus, the success of quality issue will depend on developers converting CSR in their product offered to the property market. Therefore, the study will emphasize on CSR in product perspective urging developers to implement the best practices of CSR in developing homes in order to compete and sustain in the local real estate market.

The growth of population together with upgrade society's value has led to economic and business expansion and even greater demand for properties. The homebuyers are now looking beyond home features and high quality construction for their homes. It is thus obvious that there are tremendous opportunities for developers to integrate CSR into their new townships. Thus, study on CSR is one of they key

factor in solving supply-demand mismatch. To avoid a mismatch between the supply of products and consumer demand, the study is providing developers an idea that CSR is the sole responsibility of developers to implement it in housing industry.

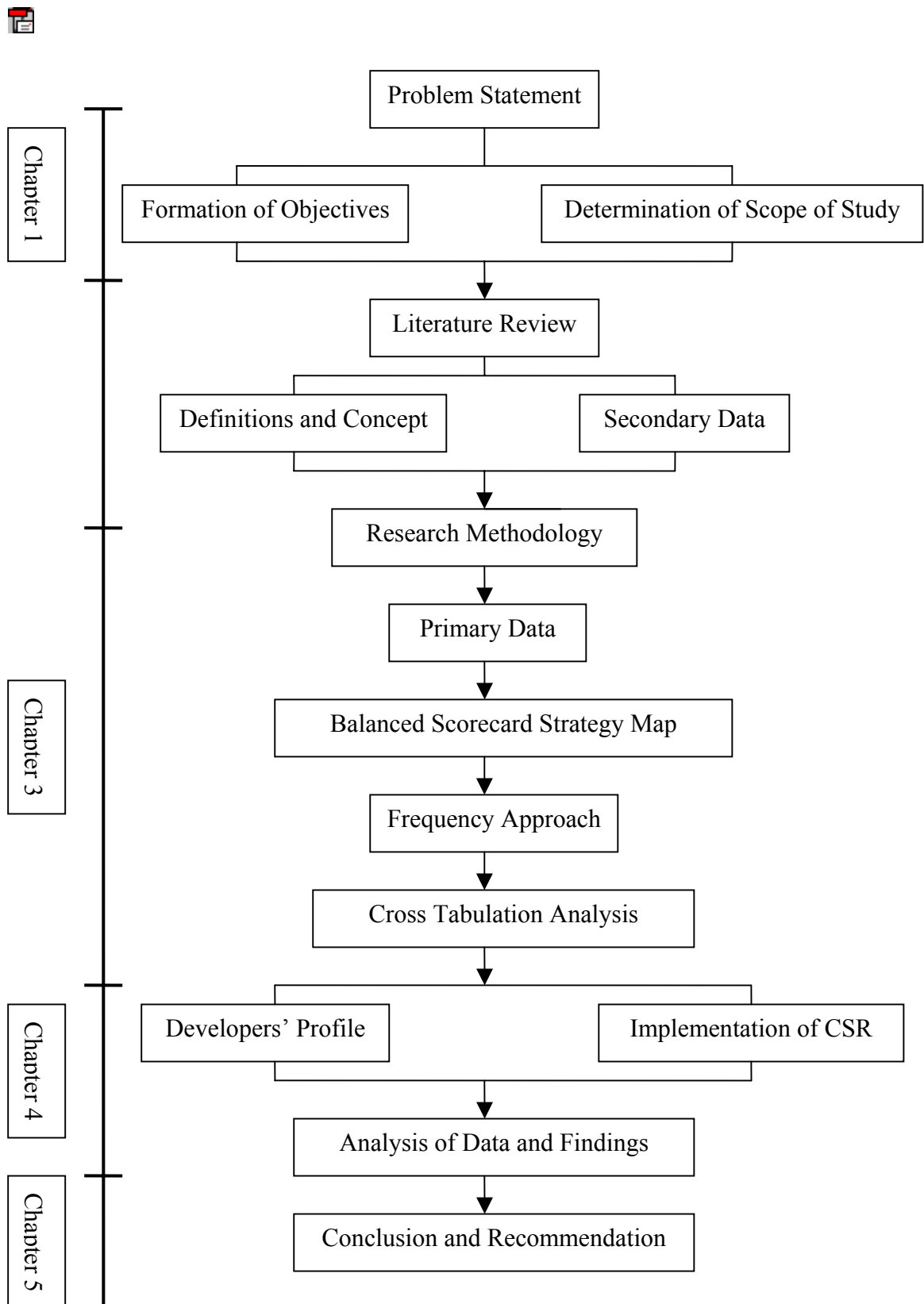
CSR becomes the most essential function of the company for long term strategic perspective in property market because it can influence demand and supply as well as property market performance. When CSR becomes the most prominent drivers of value in property market, the market will not respond if the project has not integrated on CSR concept. Eventually, this will cause developers to integrate CSR into their product perspective in order to ultimately ensure their success. Certainly, this will compromise the developers' financial status to obtain a bridging loan offered by financial institution. The bankers, then, will not hesitate to reject financing loan for developers who have not incorporated CSR in their business's philosophy and operation.

1.7 Research Methodology

Methodology of study is illustrated in Figure 1.1. Problem is first identified followed by the formation of objectives and scope of study in order to outline a few primary steps to resolve the problem.

In the process of the study, literature review is carried out by referring to the definitions, concept and secondary sources of data that were conducted and concluded in the previous studies, for example composition of books, newspapers and so forth relating to the study topic.

Figure 1.1 Methodology of the Study



In the subsequent stage of data collection, the primary data would be obtained by conducting an interview with distributed questionnaires to the developers who have registered under REHDA based on simple random sampling method. The research data relates to the companies' profile and current issue pertaining to CSR in product perspective.

The next step is to proceed the analysis of data. The data derived from questionnaires would be looked into using Balanced Scorecard Strategy Map to identify the CSR in product attributes offered by developers. On the other hand, frequency approach is used to find out the willingness of developers to implement CSR strategies in product perspective. In addition, cross tabulation analysis applied to show the comparison between the public listed development companies and private limited development companies in the way they practice CSR in product perspective.

Result of analysis would be summarized and henceforth making some recommendation for the possible improvement of current study and suggestion for further study.

1.7.1 Data Collection

The data collected are based on primary and secondary sources. Primary data will be derived from the interview and questionnaire to developers who have registered under REHDA, located in District of Johor Bahru, State of Johor. The questionnaire is designed from the Customer Perspective of Balanced Scorecard Strategy Map. For the sampling technique, simple random sampling method will be

adopted whereby 19 respondents will be taken from the total questionnaires distributed to 50 developers in property developments in Johor Bahru.

In the process of the study, literature review is carried out by referring to the secondary sources of data that were be obtained and concluded from the previous studies, existing scholars work, periodicals, journals, research papers, composition of books, newspapers, magazines and reference in library. While the other sources such as property market report and published information from housing organization such as REHDA and House Buyers Associates (HBA).

1.7.2 Data Analysis

In order to process the data collection, primary data would be obtained by conducting interview and questionnaires through simple random sampling method whereby the 19 respondents will be selected from 50 housing developers who have registered under the REHDA, located in District of Johor Bahru, State of Johor.

To analysis data, the Customer Perspective of Balanced Scorecard Strategy Map is used to identify the CSR in product attributes offered by developers. At the same time, the frequency approach is used to find out the willingness of developers to implement CSR strategies in product perspective. Findings and results of analysis would be summarized and presented in the table with percentage. In addition, the cross tabulation analysis would be applied in the study. The comparison show between the public listed development companies and private limited development companies in the way they practice CSR in product perspective. Henceforth,

conclusion will be made and some recommendation for the possible improvement of current study and suggestion for further study would be provided.

1.8 Chapters Layout

Several approaches will be applied upon the completion of the study. The methodology of study is illustrated in Figure 1.1. Firstly, the introduction to the study was elaborated in Chapter One. Then the subject of the study was followed by a write up on problem statement, aim of study, objectives and scope of study. Chapter Two deals with definitions, concept, research on secondary sources of data, up-to-date case studies and literature review on the CSR of housing developers. Subsequently, four types of research methodologies will be employed in Chapter Three: questionnaire, model 'Balanced Scorecard Strategy Map', frequency approach and cross tabulation analysis. The questionnaire is designed from Customer Perspective of Balanced Scorecard Strategy Map to determine the product attributes which contributing to CSR. Frequency approach is used to identify frequency of developers to implement CSR. At the same time, cross tabulation analysis is used to compare in between the public listed development companies and private limited development companies in the way they practice CSR and their impact towards township developments in Johor Bahru. Primary data collection and data analysis are included in Chapter Four. Primary data will derived from interview through questionnaire distributed to 50 developers in Johor Bahru. Following by result analysis from 19 respondents relates to the developers' profile and CSR in product issue will be presented in table with percentage. Finally, conclusion will be made in Chapter Five. Meanwhile, limitation and suggestion for further studies will offers at this stage as well.

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