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Stakeholder Salience on Purchasing Social Responsibility Activities in Northern Malaysia: A Focus on Labour and Health & Safety

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Abstract

The study was conducted based on qualitative transcendental phenomenological approach. The in-depth interviews were conducted with 15 purchasing managers attached to electrical and electronic multinational corporations. This research revealed six essences pertaining to stakeholder salience on PSR activities. Customers and corporate headquarters are definitive stakeholders with high salience, possessing all the three attributes: power, urgency and legitimacy; media and industry peers together, are expectant stakeholders with moderate-salience, possessing two attributes: power and urgency; government, managing directors, corporate social responsibility departments, human resource departments, and health & safety departments are latent stakeholders with low salience, possessing the sole attribute of legitimacy; competitors are latent stakeholders with low salience, possessing the sole attribute of urgency; definitive stakeholders influence purchasing managers' primary objectives, access to resource and authority, which subsequently influence purchasing managers' experience in PSR activities; definitive stakeholders have yet to fully exercised their stakeholder power pertaining to enforcement of PSR activities.

Keywords: Purchasing Managers, Qualitative Phenomenological Approach, Electrical & Electronics Industry, Stakeholder Power, Stakeholder Legitimacy, Stakeholder Urgency

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1. Introduction

Stakeholders expect companies to practice corporate social responsibility (CSR). These stakeholders include customers, media, industry peers, competitors and government. Due to the current trends of globalisation and outsourcing, companies purchase materials from various suppliers in different parts of the world. Furthermore, many global brands do not operate manufacturing processes but outsource them to their contract manufacturing suppliers, which may operate with huge labour force. Hence, companies' CSR and corporate image are seriously affected in the event labour violations are discovered in supplier factories. Companies become obligated to monitor suppliers' labour issues. However, the tasks of selecting and managing suppliers are functionally assigned to companies' purchasing managers. As such, stakeholders expect purchasing managers to monitor suppliers' labour issues proactively. In response to these stakeholder expectations, purchasing managers get involved in suppliers' CSR, and this is called as purchasing social responsibility. In fact, purchasing managers incorporate labour and health & safety in their purchasing activities such as supplier selection, supplier training and supplier partnership. However, managers prioritise the competing stakeholders based on the three stakeholder attributes, namely power, urgency and legitimacy. The high salient stakeholders are perceived to possess all the three stakeholder attributes, the low salient stakeholders are perceived to possess a sole stakeholder attribute (Mitchell et al., 1997). There were labour issues in Malaysian companies (Amnesty, 2010; E. Devadason, 2011; E. S. Devadason & Meng; Kanapathy & Office, 2008). However, not much is known about the influence of stakeholders on purchasing managers and their PSR activities. The objective to this study is to describe the lived experience of purchasing managers with regard to the salience of each identified stakeholders and their impacts on PSR activities.

2. Literature Review

Purchasing social responsibility activities

Purchasing social responsibility (PSR) activities are the incorporation of social and environment standards in the processes of supplier audit, supplier selection, supplier monitoring, contract signing, training and education, rewards and partnership. Maria (2010) used the term PSR activities for conceptual research in H & M and IKEA. The alternative terms for PSR activities are 'activities in social responsible purchasing'(Maria, 2010), 'socially responsible buying practices'(Maignan & McAlister, 2003), 'supplier measurement' (Novak, 2004) and ethical sourcing programs (Johnson, 2004). However, this research uses the term of purchasing social responsibility (PSR) activities.

Supplier audit refers to the procedures which internal or external auditors systematically check whether a supplier is complying with the requirements stated in a given code of conduct (Lund Thomsen, 2008). The purchasing functions of IKEA and Marks & Spencer conducted CSR audits for all suppliers at least once a year (Johnson, 2004; Leire & Mont, 2010). PSR activity considered potential suppliers' labour, health and safety as important criteria for supplier selection (Andersen & Skjoett-Larsen, 2009; Leire & Mont, 2010; Mamic, 2005; Xu, Kumar, Shankar, Kannan, & Chen, 2013). Previous research found that IKEA would not proceed with supplier selection process for any supplier who showed negative attitude in supplier code of conducts (Andersen & Skjoett-Larsen, 2009). Mont and Leire (2008)) stated that it is advisable to attach environmental and social requirement to every procurement contract with suppliers. Amaeshi, Osuji, and Nnodim (2008) mentioned that supplier training was effective for achieving of PSR.

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This is in line with Andersen and Skjoett-Larsen (2009) and Maria (2010) who mentioned that training of suppliers' key personnel is crucial for PSR activities. Informal CSR trainings were given to suppliers during purchasing functions' continuous suppliers visits (Andersen & Skjoett-Larsen, 2009). Purchasing companies could provide incentives to suppliers who continuously meeting the CSR standards (Amaeshi et al., 2008). The incentives could be in the form of long term contracts or enlarged purchase orders (Andersen & Skjoett-Larsen, 2009). Supplier partnership included gathering information of labour practice, setting goals and strategies with suppliers to improve labour conditions. It also includes informing suppliers in advance on changes of labour requirements, peaceful coordination with suppliers to resolve any conflict in labour conditions, and help suppliers if they lack resources to maintain fair labour practices (Park-Poaps & Rees, 2010).

There was a research on the nature of PSR activities in Malaysia, which mentioned that supplier audit was quite a common PSR activities but it was only conducted for critical suppliers. In addition, the research also mentioned that supplier selection only required basic compliance from suppliers and only short supplier training was given to suppliers. In addition, the research in Malaysia did not find the higher level of PSR activities such as supplier incentives and partnerships. As such, the research showed that PSR activities in Malaysia were in initial stage and incomprehensive (Loo & Nasruddin, 2015). Isabelle Maignan and McAlister (2003)'s conceptual paper provided one proposition that the more powerful the stakeholder community advocate a purchasing issue, the more proactive the PSR strategy on this issue. Thus, there is a research gap to study the influence of stakeholders on PSR activities in Malaysia, which were in initial stage and incomprehensive.

Labour and health & safety

Labour standards include freely chosen employment, child labour avoidance, working hours, wages & benefits humane treatment, non-discrimination and freedom of association. Health & safety standards include occupational safety, emergency preparedness, occupational injury and illness, industrial hygiene, physical safeguarding, machine safeguarding, sanitation, food and housing (EICC, 2012).

There were reports of labour issues in Malaysia which included unacceptable accommodation condition for migrant workers in some companies (Bormann et al., 2010; Nike, 2007-9). There were migrant issues of overcrowded sleeping quarters, lack of hygiene, work permit issues, unequal treatment, wage discrimination, non-payment of wages, long working hours, no freedom of association and together with other health, safety and human right issues in Malaysia (Amnesty, 2010; E. Devadason, 2011; E. S. Devadason & Meng; Kanapathy & Office, 2008). It was reported that the Malaysia policies failed to address the root causes of foreign labour migration. There was a big gap between policy intent and policy implementation. The policy was heavily skewed towards controlling the supply of migrant labour but not the enhancement of supply and demand (Kanapathy & Office, 2008). Case study research in Jabil Circuits and Flextronics also mentioned about the similar substandard living conditions because it was normal for 12 persons to be settled in one apartment with an average size of 70-80 square meters. In the worst scenario, some Nepal male workers had to sleep under the open air apartment corridors (Bormann et al., 2010). Hence, there is a research gap to study the stakeholders of PSR activities, who did not prevent these labour issues to occur in the factories of their suppliers.

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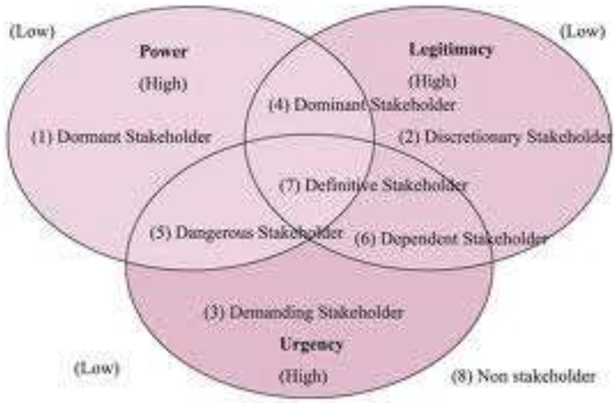
Stakeholder salience

The theory of stakeholder salience explains to whom and to what managers really pay attention. Stakeholders are identified by three attributes, which consist of power, urgency and legitimacy. The power attribute means a party to a relationship has power; to the extent it has access to coercive, utilitarian or normative means to enforce its will in the relationship. Legitimacy is a desirable social good, it is something larger than mere self-perception and it may be defined and negotiated differently at various levels of social organisation. Urgency is defined as "the degree to which stakeholder claim call for immediate attention". The stakeholder salience is positively related to the cumulative number of these three stakeholder attributes. Stakeholder salience will be high where all three of the stakeholder attributes – power, legitimacy, and urgency – are perceived by managers to be present. It was predicted that the stakeholder of a specific stakeholder to the company's management is low if only one attribute is present, moderate if two attributes are present and high if all three attributes are present (Mitchell et al., 1997). Managers must identify entities in their surrounding area that hold power and have the intention to impose their will upon the company. In fact legitimacy obtains rights through power and voice through urgency (Mitchell et al., 1997). However, only stakeholders in necessary relations with the companies are regarded as legitimate stakeholders (Friedman & Miles, 2002). Refer to the following Figure 3.2 pertaining to the stakeholder salience.



Source: Mitchell *et al.* (1997)

Power is defined as "a relationship among social actors in which one social actor, A, can get another social actor, B, to do something that B would not otherwise have done" (Pleffer, 1981, p. 3). There are three categories of power based on the type of resource used to exercise power: coercive power which based on the resources of physical means such as force or violence; utilitarian power which based on material or financial resources and normative power which based on symbolic resources (Etzioni, 1964). However, Freeman has another view by saying that it includes voting power, economic power and political power. Owners can disburse resources based on voting power on directors and management. Customers and suppliers can disburse resources based on economic power to change R & D investment, switch to another company, increases price or withholding materials supply. Government can disburse

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power based on political power to pass legislation, write new regulation and bring court suits (R. Edward Freeman, 2010).

Some stakeholders are more influential than others because of structural nature of the stakeholder relation, the contractual form existing and the institutional supports available (Friedman & Miles, 2002). Stakeholder theory suggests that stakeholders differ by situation according to their importance and relative power. Beside this, important stakeholders differ over time and rely on industry and issues (R.E. Freeman, 1984). However, a manager's perception of stakeholders is critical to the manager's view of stakeholder importance (Henriques & Sadorsky, 1999).

"Legitimacy loosely referring to socially accepted and expected structures of behaviours. It also refers to a desirable social good. Urgency is defined as the degree to which stakeholder claims call for immediate attention. In fact, power does not guarantee high salience in a stakeholder-manager relationship. Power gains authority through legitimacy and it gains exercise through urgency" (Mitchell et al., 1997). All identified stakeholder are at least legitimate but their salience is different based on their power and urgency to impose different challenges to purchasing function in PSR implementation (Schneider & Wallenburg, 2012). It is mentioned that all stakeholders groups are legitimate in the eyes of the organisation, or otherwise they were not stakeholders (Crawford, Williams, & Berman, 2011).

Stakeholder Salience on Purchasing Social Responsibility

Isabelle Maignan et al. (2002) presented PSR as a set of practices adopted by companies as the result of their stakeholders' pressure. PSR "consists of systematically incorporating organisational and stakeholder norms defining responsible corporate behaviours into the purchasing process" (Isabelle Maignan & McAlister, 2003). Isabelle Maignan and McAlister (2003)'s conceptual paper provided one proposition that the more powerful the stakeholder community advocate a purchasing issue, the more proactive the PSR strategy on this issue. Stakeholder community refers to a group of individual stakeholders who interact with each other and share common norms and goals in a given issue. Stakeholder norms are the common set of rules and behavioural expectations shared by the majority of the members of a stakeholder community. Companies would involve in PSR strategy only when the issues are of the concern of the most powerful stakeholder communities (Isabelle Maignan & McAlister, 2003). However, the conceptual paper merely mentioned power as the sole attribute of stakeholder without mentioning the other two attributes, urgency and legitimacy as highlighted by Mitchell (1997). Besides this, the conceptual paper did not identify who were the powerful stakeholders in PSR activities. In addition, the conceptual paper lacks empirical support. Thus there is research gap to investigate the salience of stakeholders in PSR activities by covering these three attributes of stakeholders.

Park-Poaps and Rees (2010) conducted a research pertaining to salient stakeholder forces on internal direction and supplier partnership for labour management in apparel and footwear sector. The research examined four primary stakeholder forces, which included consumer, industry, media and regulation. The research conceptualised orientation towards PSR activities as a composite of internal direction within the company and external partnership with suppliers. The internal direction included organizational values that address suppliers and their workers as stakeholders in business management. Consumer and industry peer was found to be salient stakeholder forces for internal direction to address suppliers and their workers as stakeholders. However, consumer was not found as salient stakeholder force for partnership with suppliers on labour standards. Nevertheless, both industry peer and media were found to be salient

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stakeholder forces in supplier partnership for labour management. However, regulation was not found to be a salient stakeholder force for both internal direction and external partnership dealings with suppliers.

The result of the research from Park-Poaps and Rees (2010) as mentioned in the previous paragraph showed that powerful stakeholders drove the proactive labour management. The study also found that salience of stakeholder forces related to proactive labour management was unique to the situations existing within the sector (Park-Poaps & Rees, 2010). However, the research was limited to small and medium-sized apparel and footwear companies in the United States. Therefore, there is a research gap to examine stakeholder forces in bigger companies, other sectors of industry and countries. Besides this, the research only investigated PSR activities on external partnership which included gathering labour practice information from suppliers, setting goals and strategies with suppliers to improve labour conditions, inform suppliers in advance on changes of labour requirements, peaceful coordination with suppliers to resolve any conflict in labour conditions and help suppliers if they lack resources to maintain fair labour practices. The research did not cover other PSR activities such as termination of suppliers relationships, training/education of suppliers, monitoring of suppliers, rating of supplier practices, certification of individual suppliers, labelling and disclosure of suppliers' to the press (Isabelle Maignan & McAlister, 2003). Finally, the research only examined four stakeholder forces, which are consumer, industry peer, media and regulation. The research did not include important internal stakeholders such as boss, boss's boss, team members and subsidiary managers, and external stakeholders such as competitors as mentioned by R. Edward Freeman (2010). Thus there is a research gap to include the whole range of stakeholder forces for PSR on labour and health & safety standards.

Schneider and Wallenburg (2012) conducted conceptual research to identify direct and indirect salient stakeholders who influenced PSR implementation economic, environmental and social aspects. However, the research was a conceptual paper that requires empirical support. Moreover, the research only mentioned salient stakeholders on PSR implementation in general without focusing on any specific area of PSR such as labour standards. Thus there is a research gap pertaining to how each salient stakeholder affects PSR activities on labour and health & safety.

There was a conceptual paper suggested that customers and regulatory are significant drivers of PSR (Hoejmose & Adrien-Kirby, 2012). NGOs were perceived as salient stakeholders for social and environmental practices of an oil and gas company in Sudan (Abdalla & Siti-Nabiha, 2015). NGOs was not perceived as stakeholders for previous PSR activities in the United States (Park-Poaps & Rees, 2010). However, there is lack of information pertaining to stakeholder salience for PSR in Malaysia or Southeast Asia. Hence, there is a research gap to study whether customer, NGOs and regulatory are salient stakeholders with the attributes of legitimacy, power and urgency to affect PSR activities in Southeast Asia in general and Malaysia in particular.

3. Methodology

This research adopted qualitative transcendental phenomenological approach from Moustakas (1994). In depth interviews were conducted for 15 participants selected from purposive sampling. The data was analysed with van Kaam method modified by Moustakas (1994).

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The Method

This qualitative transcendental phenomenological research used semi-structured, audio recorded and transcribed interview to investigate purchasing managers' lived experiences pertaining to stakeholders on PSR activities, focus on labour and health & safety.

This research is conducted in qualitative approach because the research topic is a very new in Malaysia context, and little is known about this. Qualitative methodology is most suitable to explore the complete detail of this new topic by directly interacting with participants, and allowing them to share their stories. This research chooses Phenomenology because it is the most suitable method compared with other qualitative methods. The phenomenological method is suitable for this new research topic in Malaysia as it helps the researcher to put aside the assumptions about the phenomenon and see it afresh (King & Horrocks, 2010). The justification to adopt transcendental phenomenology is to take the fresh perspective toward the new research topic rather than to interpret it (Creswell, 2007). Furthermore, most of the previous case study researches of PSR activities did not focus on purchasing managers' individual lived experiences, but focused on the case as a company (Andersen & Skjoett-Larsen, 2009; Johnson, 2004).

There are four processes in phenomenological research which consists of epoche, phenomenological reduction, imaginative variation and synthesis (Moustakas, 1994). This research applied all these four processes. This research involved the first process of "epoche" as mentioned by Moustakas (1994) so that it will be completely open, receptive and naïve in listening to research participants' description of their PSR activities focus on labour and health & safety. It means refrain from judgment and abstain from ordinary way of perceiving things. The second process is phenomenological reduction. This process calls for suspension of judgment as to the existence or nonexistence of an experience's content. The third process of imaginative variation is "to seek possible meaning through the utilisation of imagination, varying the frames of reference, employing polarities and reversals, and approaching the phenomenon from divergent perspectives, different positions, roles, or functions"(Moustakas, 1994, pp. 97-98). The final step is synthesis of meanings and essences. "It is the intuitive integration of the fundamental textural and structural descriptions into a unified statement of the essences of the experience of the whole phenomenon" (Moustakas, 1994).

The sample

The population of this research came from purchasing managers of electrical and electronics companies in northern region of Malaysia. The research scope focused on electrical and electronics (E & E) industry in northern region of Malaysia because this E & E industry is the biggest industry, contributing to almost 45% of total exports in Malaysia for 2011 and 2012 (MITI, 2012). The sampling frame was obtained from the Federation of Malaysian Manufacturers (FMM) directory, investPenang Directory from Internet website managed by Invest-in-Penang Berhad and Kulim Hi-Tech Park from Internet websites. The researcher selected the purchasing managers from the Electrical and Electronic companies listed in these three directories. Purposive sampling was done in this research to select respondents (purchasing managers) working in companies, which use supplier code of conduct as a tool to manage suppliers' labour and health & safety. Purposive sampling was chosen because not all companies in Malaysia could fit in this new research topic as stated above (Silverman, 2005). The participants were selected from electrical and electronics companies in Northern Malaysia but the participants should have at least a year experience in PSR of labour and health & safety standard.

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All the 15 participants in the study were employed as purchasing managers in electronics and electrical (E &E) multinational companies. There were eleven participants in the range of 15-20 years working experience in purchasing function, two participants were in the range of 10-15 years working experience and another two participants were in the range of 5-10 years working experience in purchasing function. Thus, the participants were matured with many years of working experience. There were eleven participants (68%) worked in American E &E multinational companies, two participants (13%) worked in German based E & E companies, two participants (13%) worked in Japanese based E&E companies and one participant worked in Swiss based E & E companies (6%). Majority of participants came from American multinational companies because most of them fulfilled the purposive sampling criteria of having experience in PSR activities for more than a year. However, not many purchasing managers from other types of companies who manage to fulfil these criteria.

Data collection and analysis

The data was collected based on phenomenological interviewing. Phenomenological interviewing is a specific type of in-depth interviews. The purpose of phenomenological interview is the study of lived experience and describe the meaning of a phenomenon that several participants share (Marshall & Rossman, 2006). The data was collected in six months' period and each in-depth interview lasted about 30 minutes.

The data analysis in this qualitative phenomenological research used Moustakas (1994)'s modification of the van Kaam method. Data analysis was done throughout the research process and it was completed six months after data collection was completed. The audio taped interviews were transcribed verbatim. The participants were asked to verify the transcripts. The transcripts were also used as reference for the subsequent interviews. Each transcript was imported into Nvivo 10 software and significant statements in every transcript were extracted. The Nvivo 10 was used to arrange, classify and analyse the transcription. The researcher read each response as soon as possible after the interview to avoid changes of the perception due to time passage. The significant statements were identified and formulated into invariant constituents and then into themes, which provided complete description of experiences.

After the interviews and transcription were completed, the following seven steps were used to analyse the data as stated (Moustakas, 1994, p. 120): listing and preliminary grouping; reduction and elimination; clustering and thematising the invariant constituents; final identification of the invariant constituents and themes; constructing individual textural description for each participant based on the relevant validated invariant constituents and themes; constructing for each participant an individual structural description based on textural description and imaginative variation; and constructing for every participant a textural-structural description of the meanings and essences of the experience. From the individual textural-structural description, this study developed a composite description of the meaning and essences of the experience, representing the group as a whole.

4. Findings

Corporate Headquarters as High Salient, Definitive Stakeholders with Legitimacy, Power and Urgency

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Corporate headquarters are internal stakeholders who are high salient with possession of legitimacy, power and urgency. These corporate headquarters refer to someone or small group people stationed in head offices with the title of chief procurement officers, commodity engineering managers, EICC coordinators or EICC commodity managers. They work in a place where company's executive officers are located.

Corporate headquarters were perceived as legitimate stakeholders due to their relationship as direct superior to purchasing managers. Almost all the research participants reported directly to corporate headquarters rather than local managing directors or chief executive officers located in northern Malaysia. In fact, most of the participants did not report directly to local superiors in Malaysia but only dotted line reporting or matrix reporting to local managing directors. Corporate headquarters were unique stakeholders for purchasing managers of Malaysia in particular and Southeast Asia in general because a lot of foreign multinational companies are subsidiaries that reported to the corporate headquarters at the United States, Japan or Germany. Thus, as direct superiors, corporate headquarters were legitimate by having necessary relationship to lead research participants to involve in PSR activities. In addition, the result from this research shows that corporate headquarters possessed attribute of legitimacy because they required research participants to involve in PSR activities that are considered socially expected behaviours.

This research finds that purchasing managers were involved in PSR activities due to the legitimate relationship with corporate headquarters as direct superiors. Corporate headquarters participated or acted as leaders of supplier audits on labour and health & safety. In fact, they worked with purchasing managers to select critical suppliers for supplier audits. They worked with purchasing managers to make arrangement in supplier training with regard to labour and health & safety. In the event purchasing managers were not capable to deliver training, they were the ones who trained suppliers on labour and health & safety. Corporate headquarters worked with purchasing managers to draft purchasing contracts with suppliers in order to incorporate the requirement of labour and health & safety. For the position of chief procurement officer located in headquarters, they actually made the final decision on supplier selection that incorporated labour and health & safety.

Corporate headquarters were perceived to possess the attribute of power because research participants mentioned that they were involved in PSR activities due to the direction or instruction from corporate headquarters. It means corporate headquarters got purchasing managers to perform PSR activities who would not otherwise had done. However, the power of corporate headquarters found in this research is more towards utilitarian power, which based on financial or material resources. It is because corporate headquarters did possess these resources and they were capable of releasing them to research participants who were purchasing managers. The resources could be in term of financial budget or manpower to practice PSR activities. Alternatively, corporate headquarters could include PSR activities as an important element of participants' key performance indicator (KPI). Hence, this would affect them in the form of salary increment, job promotion, bonus and other benefits given to purchasing managers as rewards for their involvement in PSR activities. Corporate headquarters were the ones who evaluated their performance and subsequently decided their pay increments and compensations. However, corporate headquarters have yet to fully exercise their stakeholder power with regard to enforcement of PSR activities. In fact, this finding provides answers to the previous PSR activities in Malaysia, which

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mentioned that supplier audit was only conducted for critical suppliers and supplier selection only required basic compliance (Loo & Nasruddin, 2015).

Corporate headquarters possess the attribute of urgency because research participants mentioned that they gave high degree of immediate attention when corporate headquarters required them to initiate PSR activities. This shows that stakeholder urgency had major impact on purchasing managers' PSR activities. The reason being, corporate headquarters, which acted as direct superiors, were having high degree of urgency when such claimed attention for PSR activities took place.

Customers as High Salient, Definitive Stakeholders with Legitimacy, Power and Urgency

Purchasing managers in this research perceived customers as external stakeholders who were high salient with attributes of legitimacy, power and urgency. Customers refer to organisations rather than end consumers as individuals. They were the ones who purchased semi-finished or final products from purchasing managers' companies.

Customers were perceived to have the attribute of legitimacy because they have necessary relationship called as customer-supplier relationship with purchasing managers. In most cases, the customers had purchase contracts with research participants' companies, it could then be considered as contractual relationships. In addition, customers in this research were legitimate stakeholders because they required research participants to be involved in desirable social good or socially expected behaviour, which were PSR activities. Due to their purchase orders and contracts with the companies, they finally affected the purchasing decisions of purchasing managers, which further qualified them to be legitimate stakeholders. Hence, this research found that customers possessed legitimacy to request research participants to be involved in PSR activities. Customers were one of the important reasons for purchasing managers to initiate and implemented PSR activities. Customers aware of sub standard migrant dormitories and they asked purchasing managers to improve them accordingly. Purchasing managers struggled because customers required them to conduct supplier self-assessment so that they were liable for suppliers' labour issues. Customers conducted site audits in the company facilities of purchasing managers. And customers requested purchasing managers to focus on the area of PSR activities they have not done well. Some purchasing managers in this research perceived customers as the driving force of PSR activities because corporate headquarters also took action based on customer requirements.

Purchasing managers in this research perceived stakeholder power stood out from customers. Customers were found as powerful stakeholders of PSR activities in this research because they were the ones who give business to participants' companies. Without the business or orders from most of these customers, the participants' companies would not survive. Moreover, even if any customers reduce their orders or business transactions, the participants' companies would be affected due to the reduction of business revenues. Customers as stakeholders possessed the attribute of power because research participants mentioned that they were involved in PSR activities due to the requirement of customers. It means that customers could get purchasing managers to be involved in PSR activities that purchasing managers would not otherwise have done. That means customers in this scenario did not exercise power on participants' PSR activities. This shows the power of customers greatly affected the extent of participants PSR activities. Nevertheless, it still depends on whether customers choose to exercise this power. Meaning that they may have power but they may not want to exercise it on PSR activities.

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The power of customers in this research was related to utilitarian power, which is based on financial or material resources. Customers provided the companies of purchasing managers with purchase orders, which finally turned into financial gain in revenues and profits. However, customers possessed the power to cancel the purchase contracts or orders with the companies of research participants (purchasing managers) in the event they did not practice PSR activities. This utilitarian power of customers may also include boycotts, lawsuits and new regulations. However, this research found that customers often used new regulation instead of lawsuits or boycotts. New regulation was formulated pertaining to labour requirement of suppliers. The power from customers also could be called as economic power, which they could switch orders to other companies in case purchasing managers did not practice PSR activities. Failing to practice PSR activities might cause their customers not to maintain their companies as preferred suppliers. This was the reason purchasing managers struggled to meet the customer requirement on PSR activities. Customers were powerful because they determined the revenue and survival of participants' companies. However, customers have yet to fully exercise their stakeholder power with regard to the enforcement of PSR activities. Hence, this again answers to the previous PSR activities in Malaysia, which mentioned that supplier audit was only conducted for critical suppliers and supplier selection only require basic compliance (Loo & Nasruddin, 2015).

Customers were found to claim call for purchasing managers' immediate attention to practice PSR activities. In fact, purchasing managers' in this research perceived high degree of urgency from customers. It is especially true for those participants who were involved actively in PSR activities. In contrary, for those purchasing managers who were less active in PSR activities, they gave the reason that their customers did not draw their attention to involve in PSR activities. It was because customers were very important organisations for the survival of purchasing managers' organisations. Thus, whatever they claimed on PSR activities would get immediate attention from purchasing managers.

Media and Industry Peers Exist Together as Moderate-salient, Expectant Stakeholders with Power and Urgency

Media and industry peers were external stakeholders identified in this study. They were moderate salient because participants perceived them as having power and urgency.

Stakeholder power stood out for media and industry because research participants mentioned that their PSR activities were started because media reported the labour violations of Apple's supplier, Foxconn. The reason being they did not want their companies to be identified with suppliers who committed labour violations. That means media and industry peers possessed the attribute of power, to get purchasing manager to begin PSR activities, which they may not had done otherwise. The stakeholder power of media and industry peers was in a category of symbolic rather than utilitarian or coercive. Industry peers had symbolic power when they could command the attention of media. Media in turn has symbolic power when it commanded the attention of industry peers to start PSR activities when it reported the labour violations of industry peers' suppliers. Media and industry did not own utilitarian power because they did not hold any resource. They did not have coercive power because their power was not in physical form. However, media and industry peers must exist together in order to possess symbolic power. It is because the symbolic power was only available when media reported the labour violations committed by suppliers of industry peers. In this scenario, purchasing managers experienced this symbolic power when media reported the labour violations of Foxconn, a key supplier of Apple Inc. and an industry peer of purchasing

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mangers' companies. The reason being they did not want their companies in having the similar bad publicity in case their suppliers violated labour and health & safety standards.

Media and industry peers possessed the attribute of urgency in this research because they gained a degree of immediate attention for PSR activities to be started. For example, purchasing managers paid immediate attention on PSR activities after media published labour violation of Foxconn, a key supplier of Apple Inc. The reason being Apple Inc. is an industry leader in electronics and an industry peer of companies which purchasing managers attached with. Thus, the research participants as purchasing managers did not wish what happened to Apple Inc. to occur in their companies. Due to this, they started to get involved in PSR activities. However, this stakeholder urgency would only happen when media published labour violations committed by suppliers of industry peers. Media and industry peers must exist together to possess urgency attribute. Industry peers would not be stakeholders without the existence of media and vice versa.

Industry peers and media were the moderate-salient stakeholders for PSR activities because they only possessed two attributes, which were power and urgency. They did not possess legitimacy because they did not have any relationship with purchasing managers. Due to the absence of this legitimacy, their influence and impact on PSR activities were not strong and did not last long. Their impact only maintained at the short duration when media published labour violations committed by suppliers' of industry peers.

Managing Directors as Low Salient, Latent Stakeholders with Legitimacy

Purchasing managers perceived managing directors as internal stakeholders with legitimacy. Other than this, they were not perceived to have power or urgency. Managing directors in this research refer to the individuals with the highest authority or position for the companies located in northern Malaysia. Managing directors were legitimate stakeholders due to their relation with purchasing managers as dotted or indirect superiors of matrix organisation structure. They were perceived to possess legitimacy but not in high degree because they only expected purchasing managers in having minimum level of socially accepted behaviour, namely PSR activities in this research. Managing directors did not drive or lead PSR activities though they were the head of the companies in Malaysia. It is because the priority of managing director was to focus on operations management, revenue and profit of the companies rather than PSR activities. In addition, they were indirect superiors instead of direct superiors to purchasing managers and thus they possessed less degree of legitimacy as compared to headquarters as mentioned in earlier sub section.

Managing directors were not perceived by purchasing managers to possess the attribute of power. He/she could not get purchasing managers to practice PSR activities that they would not otherwise have done. Managing director did not have access to coercive, utilitarian or normative means to enforce its will on PSR activities. In addition, they chose not to exercise their power in PSR activities as indirect superiors because their priority was placed on company operations.

CSR, Human Resource, and Health & Safety Departments as Low Salient, Latent Stakeholders with Legitimacy

The company-internal managers, who were perceived by purchasing managers as low salient stakeholders, included corporate social responsibility (CSR) managers, human resource managers and

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health & safety managers. They were low salient because of possessing only one stakeholder attribute, which was legitimacy. However, this research revealed that if CSR managers were available in the companies, they would become the stakeholders of PSR activities to replace human resources managers or health & safety managers. CSR managers possessed the attribute of legitimacy because they were the local leaders for corporate social responsibility. They were fully focused in CSR of the companies. Moreover, CSR managers possessed higher legitimacy in the event that PSR was positioned under CSR departments. In this scenario, CSR managers became a team leader for all the CSR activities and a member represented each department, included purchasing manager. With this structure, CSR managers have a higher degree of legitimacy on PSR activities. In the event that there were no CSR managers available in the companies, human resource managers would become legitimate stakeholders for PSR activities. It is because they were well verse in labour laws as compared to other managers. Often times their responsibilities extended to the workers of suppliers. Thus, they possessed legitimacy because of their necessary relationship with the participants to ensure that suppliers adhere to labour laws. They were the reference points in case the participants needed any advice pertaining to the suppliers' labour issue. In the same scenario, health and safety managers also possessed the attribute of legitimacy pertaining to the health and safety within their companies with extension to include the health and safety for the workers of suppliers. However, health & safety managers and human resource managers were less legitimate as compared to CSR managers because they were less focus on PSR activities due to their priority placed on their own primary functions.

Government as Low Salient, Latent Stakeholder with Legitimacy

Government was a legitimate stakeholder due to its necessary relationship with the companies of purchasing managers. The relationship was between lawmakers or policy makers with business companies. The purchasing managers in this research experienced government as legitimate stakeholders of labour law and regulations. However, the degree of government's legitimacy on PSR activities was low as perceived by purchasing managers. The reason being the companies of purchasing managers did not perceive that government expected them to be liable for their suppliers' labour issues. In fact, government only required the companies of purchasing managers to be liable for their own workers. Purchasing managers only perceived government as legitimate stakeholders for minimum wages that has been set since few years ago. The reason of this perception was purchasing managers did not want their company reputation to be affected if any of their suppliers were fined by government for violations on minimum wages. It was not because government expected them to be liable for suppliers' minimum wage. In fact, the minimum wage had affected purchasing managers when suppliers increased product price sold to them due to increase of labour cost. Apart from minimum wage, government was perceived as legitimate but with low degree of legitimacy for most of the labour issues, such as long working hours, sub-standards migrant dormitories and holding of migrant passports.

The purchasing managers in this research did not perceive government to possess stakeholder power on PSR activities. Actually participants in this research experienced the adoption of EICC code that is higher labour requirement than Malaysian labour law. Therefore, the purchasing managers in this research have performed more than what is required in labour law. Besides having lower requirement, purchasing managers perceived that government was not strict in enforcing labour law. For example, working hours allowed by labour law in Malaysia is less strict compared with maximum of 60 hours a week stated on

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EICC code. Hence, government did not get purchasing managers to begin PSR activities, which they may not had done otherwise. In fact, government does have a choice not to exercise their political power and claim immediate action on PSR activities. They might choose not to be salient at this period of time.

Competitors as Low Salient, Latent Stakeholders with Urgency

This research found that purchasing managers who worked in contract manufacturing or electronic manufacturing services (EMS) perceived competitors as stakeholders with the attribute of urgency. Competitors were perceived to possess urgency to claim purchasing managers' attention to be involved in PSR activities. The reason being if competitors had high level of PSR activities but purchasing managers did not do so, that would make them less competitive of getting new business or maintaining the current business as compared to competitors. In addition, the competitors in this electrical and electronics industry always have the similar pool of customers. This is how competitors drew attention from purchasing managers with regard to PSR activities.

Purchasing managers in this research did not perceive competitors as legitimate stakeholders because they did not have any relationship with purchasing managers. In addition, competitors would not expect purchasing managers to be involved in socially expected behaviour such as PSR activities. In fact, it would be a threat for them if purchasing managers in this research were involved in PSR activities because competitors would be obligated to do the similar activities in order to remain competitive.

Competitors identified in this research only possessed sole stakeholder urgency without the presence of power and legitimacy. As such, competitors were low salient stakeholders and they have less impact to PSR activities of purchasing managers.

5. Practical Contributions

The purchasing managers' experience in PSR activities shared in this study add significant value for references of stakeholders. This research revealed that salient stakeholders played a very important role to enhance PSR activities. Stakeholder salience was the strong force and the reason behind the PSR activities. In contrary, when there was low stakeholder salience, purchasing managers did not get involved in PSR activities or get involved in very minimum level. Due to this research revealed that customers and corporate headquarter were salient stakeholder, it implies that they are able to do more to affect the improvement of PSR activities. They could provide more resources, autonomy, supports and incentives for purchasing managers to upgrade PSR activates. By doing so, the PSR activities in this region will be improved tremendously. Many of the suppliers of multinational are SMEs (small and medium enterprises), the improvement of PSR activities will in turn improve the labour and health & safety standards of SMEs.

This research implies that government was not a salient stakeholder. It was only legitimate but it was not powerful and lack of urgency towards labour conditions. In fact, purchasing managers hoped that government could play a more crucial role in order to upgrade the labour standards of their suppliers. In addition, Malaysia labour was found to be more lenient than EICC code. Thus, this research provides valuable information for government to review the labour law and policy. These research findings also provide references and inspirations for stakeholders who were not found to be salient, such as non government organisations, labour advocates and worker unions.

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For purchasing managers who have to get involved actively in PSR activities, this research could inspire them to identify their salient stakeholders and subsequently work with them to upgrade suppliers' labour and health & safety.

6 Theoretical Contributions

This research contributes to stakeholder salience by suggesting that purchasing managers experienced the presence of stakeholder legitimacy, power and urgency while implementing PSR activities focused on labour and health & safety.

Purchasing managers in this research experienced the presence of stakeholder legitimacy as mentioned by Mitchell et al. (1997). Customers, corporate headquarters, government, managing directors, human resource department, health & safety department and CSR departments were found to possess stakeholder legitimacy on purchasing managers' PSR activities. These stakeholders had necessary relations with purchasing managers to be regarded as legitimate stakeholders by Friedman and Miles (2002). The stakeholders as mentioned above are also legitimate for purchasing managers to spend time and resources as mentioned by R. Edward Freeman (2010). In addition, PSR activities were the desirable social good behaviour, which was considered legitimate by Mitchell et al. (1997). However, this research did not agree with the previous research, which mentioned that all stakeholders groups are at least legitimate in the eyes of the organisation, or otherwise they were not stakeholders (Crawford, Williams, & Berman, 2011; Schneider & Wallenburg, 2012).) The reason being industry peers, media and competitors in this research did not possess legitimacy at all but they were found to be moderate-salient stakeholders who possess urgency and power.

This research found the presence of stakeholder power as mentioned by Pleffer (1981). Stakeholders such as customers, corporate headquarters, industry peers and media possessed the power to get purchasing manager to be involved in PSR activities that they would not otherwise had done. Thus the research result is consistent with Pleffer (1981)'s statement that power was defined as a relationship among social actors in which one social actor get another social actor to do something would not otherwise have done. Corporate headquarters and customers possess utilitarian power to influence purchasing managers' involvement in PSR activities based on financial and material resources as mentioned by (Etzioni, 1964). In addition, the economic power as mentioned by (R. Edward Freeman, 2010) was also found with customers because they could switch business or purchase orders to another company. Industry peers and media possessed symbolic influence, which was called as normative power by (Etzioni, 1964). This research provides empirical evidence to the conceptual statement of Isabelle Maignan et al. (2002), which mentioned that stakeholder may be so powerful that organisations are forced to comply with their demands.

Stakeholder urgency as mentioned by Mitchell et al. (1997), was empirically proven in this research. Purchasing managers perceived some stakeholders claimed immediate attention from the former to involve in PSR activities. The stakeholders who possessed urgency in PSR activities included customers, corporate headquarters, media, industry peer and competitors.

This research contributes to stakeholder salience by suggesting that the powerful stakeholders do not have the same degree of power on purchasing managers' PSR activities. Customers and corporate headquarters were found to possess higher degree of power as compared to industry peers, media and competitors. This finding is consistent with what suggested by R.E. Freeman (1984) that stakeholders

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differ by situation according to their importance and relative power. This research also contributes to stakeholder salience as proposed by Mitchell et al. (1997) by classifying stakeholders of PSR activities as definitive stakeholders, expectant stakeholder and latent stakeholders. Customers and corporate headquarters were definitive stakeholders because they possessed all the stakeholder attributes, namely legitimacy, power and urgency. Industry peers and media were the moderate-salient stakeholders so called expectant stakeholders because they possessed two stakeholder attributes, namely power and urgency. Government, managing directors, CSR departments, human resources departments and health & safety department were the low salient stakeholders so called stakeholders because they only possessed legitimacy.

This research contributes to stakeholder salience as among the first few researches that described corporate headquarters as high salient stakeholders. It also contributes to stakeholder theory because corporate headquarters were not mentioned by (R. Edward Freeman, 2010) as one of the stakeholders. Corporate headquarters were unique stakeholders in Asia in general and Malaysia in particular because the purchasing managers reported directly to their superior in corporate headquarters, which based in United States, Japan, German or other European countries. This research finding pertaining to salient stakeholders not fully exercising their stakeholder power on enforcement of PSR activities, adds value over previous researches, which did not provide such findings. Not only that, this phenomenon of stakeholders not fully exercising their stakeholders power, is consistent with what mentioned by Mitchell et al. (1997) who stated that an entity may possess power to impose its will, but only if it is willing to exercise it. This research contributes to stakeholder salience by suggesting that media and industry peers must exist together as moderate-salient stakeholders. It is because stakeholder salience only happens when media reports the labour violations of industry peers.

7. Conclusion

This research contributes to stakeholder salience by concluding that customers and corporate headquarters stood as the most salient stakeholders for PSR activities because they possessed all the three stakeholder attributes, namely power, urgency and legitimacy. Industry peers and media appeared together as moderate-salient stakeholders by possessing two attributes, namely power and urgency. Salient stakeholders were the reasons for purchasing managers to start PSR activities but they have yet to exercise their power on enforcement of PSR activities. Hence, this research suggests salient stakeholder to fully exercise their power on enforcement of PSR activities. For government who was low salient with possession of sole attribute, namely legitimacy, this research suggests government to exercise their political power and claim their urgency in order to be salient. The suggestions would be very helpful to upgrade the level of PSR activities in Malaysia.

The experiences of PSR activities shared in this research will set as benchmark, examples and inspirations for purchasing managers who have yet to experience stakeholder salience on PSR activities. They could identify their salient stakeholders and work with them to upgrade PSR activities.

The sample of this study was limited to 15 purchasing managers from electrical and electronics industry in northern Malaysia. As such the findings could not be used to generalize the experience of purchasing managers in other locations or other sector of industries. However, the objective of this phenomenological research is not generalisation; it is description of the lived experience. Future research could be conducted in other industries and other locations. This research was conducted in qualitative method; future research

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could be conducted in quantitative methods in order to cover more companies and to test the variables of PSR activities. This research focused on labour and health & safety, but future research could cover other dimensions of PSR such as diversity and ethics.

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