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Corporate Social Responsibility Disclosure and Corporate Reputation in Developing Countries: The Case of Libya

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This paper uses stakeholder theory to explore the relationship between corporate social responsibility disclosure (CSRD) and corporate reputation (CR) using both quantitative and qualitative methods. The paper was undertaken in Libya, because Libya has an important standing in the world economy as well as a different political and economic system (Wallace & Wilkinson 2004). Moreover, it is a particularly interesting country, as socialist and Islamic factors have impacted on the nature of CSRD. As a result, the level of CSRD has increased in Libya since 2000 due to pressures from stakeholders for information which may influence organisational performance for Libyan companies (Pratten & Mashat 2009). The quantitative data used to measure level of CSRD consists of 110 annual reports of 40 Libyan companies and 149 questionnaires collected from managers and employees to measure corporate reputation. In the qualitative data, thirty one financial managers and information managers express their perception about the relationship between CSRD and corporate reputation. The results confirm that a high level of CSRD is strongly associated with company reputation for stakeholder groups.

Keywords: Corporate Social Responsibility (CSR); Corporate Social Responsibility Disclosure (CSRD); Corporate reputation (CR); Employee disclosure (EMPD); Community Involvement Disclosure (COMD); Consumer Disclosure (COND); Environmental Disclosure (ENVD) and Stakeholder Theory.

JEL codes: C33 · C83 · G34 · M14 · L2

1. Introduction

Over the years, numerous studies have examined the association between CSRD and corporate reputation in order to understand the emerged concerning the relationship between CSRD and corporate reputation. Although many studies have attempted to make some headway in comprehending the association between CSRD and corporate reputation (Branco & Rodrigues 2006; Toms 2002), they suffer from at least three significant limitations. First, there is no known published study using mixed methods to examine the association between CSRD and corporate reputation. Second, studies on the relationship between CSRD and corporate reputation have focused exclusively on developed countries. Third, there are many

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studies in both developed and developing countries that have provided some evidence about the importance and benefits of CSRD, but they have not focused on whether or not, and how, CSRD is associated with corporate reputation. The results of these studies have varied in terms of the positive, negative, or neutral association of CSRD with corporate reputation.

CSRD has become a source that affects reputation. Most studies have also argued that primary attraction to a company is premised on the perception of firm's reputation, which would be determined by both CSR actions and disclosure (Branco & Rodrigues 2006; Hasseldine et al. 2005; Rettab et al. 2009; Toms 2002). In addition, reputation is a multidimensional concept affected by both financial and social aspects, while, CSR information disclosed periodically through the annual report is a crucial determinant of corporate reputation. This paper examines previous studies on the relationship between CSRD and corporate reputation. It extracts quantitative data on corporate reputation and on CSRD from the annual reports for a sample of Libyan companies. Moreover, it gathers data from financial managers and information manager through interviews. This paper examines and explains the relationship between levels of CSRD in annual reports and company reputation for companies in Libya. In addition, it employs some control determinants, such as size, age and industry of a company. This paper found significant quantitative and qualitative evidence in this hypothesis. Companies with a high level of CSRD score in annual report are more likely to improve corporate reputation. Furthermore, CSRD score positively affects the reputation score.

The remainder of this paper is organised as follows. The second section shows some details about the literature review and research framework about this topic, the third section describes the research methods used which includes quantitative and qualitative methods and the four and fifth section present the findings and discussion. The final section contains a summary and conclusion.

2. Literature Review and Research Framework

Many researchers provide evidence to define corporate reputation. for example, Siltaoja (2006, p. 91):

"the most important competitive advantage that companies can have [by]… assessments about what the organisation is, how well it meets its commitments and conforms to stakeholders' expectations, how effectively its overall performance fits with its socio-political environments".

Corporate reputation also is "a fundamental intangible element in the generation of competitive advantages for organisation"(Neville et al. 2005, p. 337). Disclosing CSR lead to enhancing corporate reputation whereas non-disclosing CSR lead to destroyed corporate reputation for a firm. According to McWilliams and Siegel (2001, p. 120) CSR "creates a reputation that a firm is reliable and honest". Similarly, Bhattacharya and Sen (2003 cited in Rettab et al. 2009, p. 377) suggest that CSR "builds a reservoir of goodwill that firms can draw upon in times of crisis".

Some companies may employ CSRD as one of the informational signals upon which stakeholder's base their assessments of corporate reputation under conditions of incomplete information (Branco & Rodrigues 2006). Also, Branco and Rodrigues (2006) explain that enhancing the effects of CSR on corporate reputation is particularly improved by CSRD. In addition, Hooghiemstra (2000) argues that one of the most important communication instruments that is used by firms to enhance, create, and protect their image or reputation is CSRD. Moreover, it is not easy to create a positive reputation without making associated disclosure about CSR activities to realise the value of such disclosure on reputation (Hasseldine et al. 2005; Toms 2002). Furthermore, Toms (2002) found that disclosure in annual reports about environmental policies and their implementation contributes explicitly to creating a positive corporate reputation. Besides that, Toms (2002), and Hasseldine, Salama and Toms (2005) report that the quality of environmental disclosure as opposed to mere volume and quantity of environmental disclosure has a strong effect on the creation, enhancement, and protection of corporate reputation. Thus, the relationship between CSRD and corporate reputation should be clear and positive.

However, the relationship between CSR and corporate reputation in developing countries as well as emerging economies is not explicit. Although the link between CSR and corporate reputation is not straightforward in developing countries through the national media or annual reports, a link between CSR and employee commitment is observed because employees are able to observe the CSR activities of their firm with consequent impact of CSR on corporate reputation (Rettab et al. 2009, p. 377). Communicating effectively with a wide range of stakeholders enable firms to demonstrate their ability to enhance corporate reputation. Therefore, if firms operate in accordance with social and ethical criteria, they are able to create a positive reputation. Failing to do so can be a source of risk to their reputation (Branco & Rodrigues 2006).

The growing attention to reputation has helped to increased the number of different construct measures (Helm 2005). Fombrun (1998) engages six criteria that appear to dominate the construction of reputation in the annual report: community involvement, employee treatment, product quality, financial performance, environmental performance and organizational issues. Most of these criteria represent some CSR activities. Lewis (2001) lists similar criteria but with an emphasis on responsibility: product quality, customer service, treatment of staff, financial performance, quality of management, environmental responsibility and social responsibility. Schultz, Mouritsen and Gabrielsen (2001) suggest that the reputation criteria are based on environmental responsibility, price, human resources, internationalization, financial strength and importance to society. Therefore, all of these criteria affect corporate reputation. Peterson (2004) noted that recent corporate experience in the oil and pharmaceuticals industries have emphasized negative consequences for corporate reputation that is more likely to flow from inappropriate behaviour towards the environment or consumers. At the same time, Brammer and Millington (2005) have found positive relationships between corporate reputation and CSR activities and Hess, Rogovsky and Dunfee (2002) has shown a similar relationship between corporate involvement in social causes and reputation. Also, Clarke and Gibson-Sweet (1999) note the importance of the use of corporate disclosure in terms of the management of reputation and legitimacy. Finally, Rettab, Brik and Mellahi (2009) found that there is a positive relationship between CSR and corporate reputation in the UAE market.

Most of the studies above were done in western countries and the US with the exception of Rettab, Brik, and Mellahi (2009) study. This indicates that there is limited research that has investigated CSRD and corporate reputation in developing countries. In addition, no known study has examined the relationship between CSRD and corporate reputation in Libya. Therefore, this study tries to contribute in this area and may facilitate more intensive research on CSR and corporate reputation links outside of western countries and US markets in the future, especially in Libya as a developing and emerging economic.

One of the most important benefits of CSRD is the effect on corporate reputation (Branco & Rodrigues 2006). Improved relations with external stakeholders such as customers, investors, bankers, suppliers and competitors are clearly related to having a good social responsibility reputation. Additionally, it also plays an important role with internal stakeholders such as employees. For example, companies can attract better employees or increase current employees' motivation and morale as well as their commitment and loyalty to the company, which may lead to improved financial performance (Branco & Rodrigues 2008).

CSRD is an important mechanising to enhance the effects of CSR on corporate reputation as well as representing a signal of improved social and environmental conduct (Branco & Rodrigues 2008). Consequently, it can lead to a good reputation in those fields due to the effects of CSR disclosure on the external perception of reputation. Creating a positive reputation therefore will be difficult for companies that invest in social responsibility activities without making associated disclosure (Hasseldine et al. 2005; Toms 2002). According to the above arguments, the researchers present the following hypothesis:

H: Higher levels of CSR disclosure are positively associated with higher corporate reputation.

3. Research Methods

Both quantitative and qualitative methods were used to collect data from Libyan companies in this study. In addition, this paper employed statistical techniques which include descriptive statistics, correlation analysis and Multivariate regression models using SPSS program to analyse quantitative data, while a Miles and Huberman (1994) approach was used to analyse the qualitative data.

3.1 Sample and Data collection

3.1.1 Quantitative Study

a) Data collection from annual reports

The population include 135 Libyan organisations four sectors, namely the manufacturing sector, mining sector, banking and insurance sector, and services sector. Two approaches were used to collect the data. First, the annual reports of 2007-09 from companies in Libya were chosen to collect data about CSR disclosure for this paper. The annual reports were collected using the company web pages and/ or by visiting the company office. The final number of the annual reports was 110 annual reports from 40 companies in the period of three years (See Table 1).

Table 1: Response Rate (content analysis)

Sector	Manufacturing	Mining	Banking and Insurance	Services	Total
Population (a)	32	8	20	75	135
Responses received (b)	12	1	13	14	40
Response Rate (b/a) %	37.5%	12.5%	65%	19%	30%

The content analysis method was employed to analyse 110 annual reports of 2007 - 2009 in different sectors. For each category of CSRD, a "yes/no" or (1, 0) scoring methodology was used. For example, if there is information about subcategory (items), these subcategories will gain a score of 1, whereas a score of 0 will be worded if no information is disclosed about subcategory. Determining the aggregate score for each company occurs by adding up scores of 1 (Al-Tuwaijri et al. 2004). Finally, calculating the final disclosure score indexes for each category is done by using the following formula:

$$XI = \sum_{\mathrm{T}=1}^{\mathrm{mj}} \frac{\mathrm{X}_\mathrm{T}}{N}$$

This index indicates the level of CSR disclosure for a firm j, where N is the maximum number of relevant subcategories a firm may disclose and X_T is equal to 1 if disclosed or 0 otherwise.

b) Data collection from Questionnaires Survey

Data on corporate reputation were collected by survey questionnaires. The final number of questionnaires was 149 from a total population of 135 organisations from 4 different sectors. Because previous studies have used managers and employees to collect data about corporate reputation (Brammer & Millington 2005; Espinosa & Trombetta 2004; Fombrun et al. 2000; Hasseldine et al. 2005; Landgraf & Riahi-Belkaoui 2003; Rettab et al. 2009; Toms 2002). For this study questionnaires were delivered personally to one manager and three employees of each company (See Table 2). Corporate reputation was measured by six-main items on a 5-point Likert scale, with 1= strongly disagree to 5= strongly agree. These items were adapted from a scale derived from Fombrun, Gardberg and Sever (2000) to measure corporate reputation.

Table 2: Responses Rate from Managers and Employees

Sector	Manufacturing	Mining	Banking and Insurance	Services	Total
Population (a)	32	8	20	75	135
Number of participants **From managers** **From employees**	128 32 96	32 8 24	80 20 60	300 75 225	540 135 405
Responses received (b) **From managers** **From employees**	12 35	1 3	13 38	12 34	38 111
Response Rate (b/a) % **From managers** **From employees**	37.5% 36.4%	12.5% 12.5%	65% 63.3%	16% 15.1%	28% 27.4%

3.1.2 Qualitative Study

This paper was to gather information from face to face of semi-structured interview. Interviews with important social and environmental stakeholder groups were conducted to help the researchers to gather data. In addition, knowledge gathered from consulting with other researchers in CSRD and literature reviews enabled the researchers to design an interview guide with common questions, a profile of the interviewees is presented in Table 3.

Table 3: Profiles of interviewees

Sector Name	Financial Managers	Information Managers	Total
Manufacturing	8	4	12
Services	11	1	12
Banks and Insurance	4	2	6
Mining	1	0	1
Total	24	7	31
Participants rate	77%	23%	100%

3.2 Empirical Model

The purpose of multivariate regression was used to measure, explain and predict the degree of linkage among variables (Hair et al. 2006). Therefore, this paper used the following regression models through SPSS program to examine the relationship between CSRD and corporate reputation as being proposed by the following hypotheses.

$$CR = \alpha + \beta_1 \text{ CSRD} + \beta_2 \text{ SIZE} + \beta_3 \text{ AGE} + \beta_4 \text{ INDTY} + \varepsilon$$

Where CR refers to corporate reputation measures, Corporate reputation, CSRD represents the independent variables (Employee (EMP), Community involvement (COM), Consumers (CON), Environment (ENV)), and all of the control variables including the Age of the firm (AGE) that was measured by total of assets (Branco &

Rodrigues 2008), the Industry type (INDTY) that was measured by a dummy variable that takes the value of “1” if a firm is in a manufacturing and mining sector, and the value of “0” if otherwise (Elsayed & Hoque 2010), and the Size of the firm (SIZE) that was measured by the number of years since establishment in Libya (Rettab et al. 2009); B is the coefficient of the independent variables.

3.3 Interview Process and Analysis of Information

This paper consists of the above mentioned 40 firms which were collected in the quantitative stage. Thirty one managers were interviewed to answer their perceptions about the relationship between CSRD and corporate reputation. Data gathered from interviews was recorded by a note and tape recorders with financial managers and information managers of the firms enabled the researchers to gain the deeper insights on this issue in this research. The interviews took place between October 2010 and February 2011. Interviews lasted between twenty minutes to one hour and half. The meetings were held in the manager’s office.

Miles and Huberman (1994) approach was used to analyse the qualitative data. CSR activities were classified into four categories (employee, community involvement, consumers and products and environment). Analysing the qualitative data was employed in two stages. First, the researcher classified the interview content (transcript) into similar or different responses. Second, identifying key, substantive points and putting them into categories were the two main aspects involved in the current study (Gillham 2000). Identifying a code was the first analysis process with each transcript. Then all the transcripts were readable more than one time by the researcher. At the same time, he highlighted the substantive statements that were related to the research focus (Gillham 2000; Marshall & Rossman 1999). After going through all the transcripts, at the same time which the researcher went back to read the first one of the transcripts, he listened to the tape in order to find any intonations and statements that he have failed to highlight (Kamla 2007). A very big representation of statement from interviews was resulted by this stage, which involved further composition. After that, the researcher gave the highlighted and statements simple heading through derivation a set of categories for the responses to each question (Gillham 2000). These categories and headings checked against the highlighted statements and any necessary amendments were made. The researcher repeated this procedure more than one time to ensure that no categories and headings were missed (Hanafi 2006). Subsequently, each broad research question employed a big sheet in the form of a matrix. The matrix sheets entered these questions which classified Categories and headings into them. The researcher then went through the transcripts, assigning each highlighted statements to a category (Gillham 2000). In addition, the researcher maintained a second separate file to record the overall observations in the meaning of data for all interviews.

4. Results

4.1 Content Analysis of Annual Reports

The empirical results from content analysis were used to describe CSRD. This section, therefore, represents CSRD by category and nature of CSRD. The results in table 4 illustrate CSRD by category. For annual reports 60% of companies from different sectors disclose four categories of CSR, 30% of companies disclose information about three of the categories of CSR, 15% disclose information related to one or two categories of CSR, whereas, 5% of companies do not present CSR information in their annual reports.

Table 4: CSR disclosure by category

Annual Reports	Number of categories disclosed					Total
	4	3	2	1	0	
Number of Annual Reports (No)	42	37	12	11	8	110
Percentage of Annual reports (%)	38	34	11	10	7	100

%: CSR disclosure companies as a percentage of total sample

Table 5 shows the results of the type of CSR information disclosed. Employee information (95%) is disclosed by all companies in their annual reports. This is followed by Consumer information (76%), environmental information (48%) and community involvement information (40%).

The results of the table 5 also illustrate the differences between the four sectors in CSRD. Mining, manufacturing, services and banking companies disclose employee information (100%, 100%, 93%, 92%), consumer information (100%, 83%, 64%, 77%) and environmental information (100%, 75%, 43%, 23%). Community information in the annual reports is the category that is least disclosed, while employee information is category with the highest level of disclosure.

Table 5: CSRD by categories

Annual Reports	Sector	Companies				Total
		Manufacturing	Banks and Insurances	Services	Mining	
ENVD	No/total	9/12	3/13	6/14	1/1	20
	%	75	23	43	100	48
COND	No	10	10	10	1	31
	%	83	77	64	100	76
COMD	No	7	5	4	0	16
	%	58	38	29	0	40
EMPD	No	12	12	13	1	38
	%	100	92	93	100	95

%: percentage of CSR disclosure in the sector

4.2 Statistical Analysis

4.2.1 Descriptive Analysis

Table 6 shows statistics for all the variables of interest. The mean perceived influence of CSRD on corporate reputation (3.782) can be ranked as (1). It presents descriptive. The average indexes illustrate higher disclosure on consumer disclosure (mean = 0.382), employee disclosure (mean = 0.358), and community disclosure (mean = 0.255) and less disclosure on environmental disclosure (mean = 0.216).

The descriptive statistics (skewness and kurtosis) for the dependent, independent and control variables in Table 6 indicate that the overall disclosure index and the dependent variable are normally distributed (both skewness and kurtosis coefficients are not significantly different from zero at the 0.05 level of significance).

Table 6: Descriptive statistics for all variables

Dependent Variables	Min	Max	Median	Mean	Std. D	Skewness	Kurtosis
CR	2.7100	4.6300	3.80500	3.78200	0.4653380	-0.285-	-0.544-
Independent Variables							
ENVD	0	1	0.140000	0.216750	0.2563590	1.435	1.354
COND	0	1	0.2500	0.382500	0.2033533	0.804	1.153
COMD	0	0.80	0.200000	0.255000	0.2218223	0.843	0.197
EMPD	0.1100	0.5600	0.33000	0.358250	0.1174709	-.477-	-.217-
Control Variables							
Size	5543094	17287053953	275901300	2191544745	4012904299	2.769	7.935
Age	1.00	52.00	18.000	21.7000	14.676	0.277	-1.112-
Industry	0.00	1.00	0.000	0.3300	0.474	0.777	-1.473-

4.2.2 Correlation Analysis

Pearson correlation coefficients are used to investigate the relationship between levels of CSRD under four categories and corporate reputation that are reported in Table 7.

Table 7 presents a preliminary indication that some independent and control variables are associated with corporate reputation indexes. Consumer disclosure and corporate reputation have a positive correlation coefficient of 0.772 and the significance level is less than 1%. This means that they are significantly positively correlated indicating that in this sample, as level of consumer disclosure increases, corporate reputation also increases. In addition, the perceived influence of employee disclosure has higher positive correlations with corporate reputation index (0.690, p-value < 0.05). Furthermore, community disclosure and corporate reputation have a positive correlation coefficient of 0.42 and the significance level is less than 1% which means that when a level of community disclosure increases, corporate reputation also increases. It can conclude that three independent variables (consumer disclosure, community disclosure and employee disclosure) are significantly and positively correlated with corporate reputation indexes. As can be seen from Table 7, the dependent variables have more than one correlation with independent variables. However, there is no correlation between the dependent variable index and environmental disclosure. Finally, most control variables are significantly correlated with categories of CSR indexes. Age is significantly and positively correlated with consumer disclosure (0.429, p-value < 0.05), whereas, both size and age are significantly correlated with employee disclosure (0.355, p-value < 0.05 and 0.443, p-value < 0.05 respectively). This indicates that as company age increases, a level of consumer disclosure also increases, whereas company age and company size increases, a level of employee disclosure increases as well. Otherwise, no correlation between all control variables with environmental disclosure, community disclosure indexes is found, except a significant and positive correlation between type of industry and environmental disclosure (0.519, p-value < 0.05).

Table 7: Pearson correlation coefficients (correlation [above] & p-value [below]) between higher levels of CSRD and corporate reputation

Variables	CR	Size	Age	Industry
ENVD	0.084	-0.199-	0.120	0.519**
	0.608	0.230	0.460	0.001
COND	0.772**	0.135	0.429**	-0.059-
	0.000	0.417	0.006	0.717
COMD	0.420**	0.041	0.160	0.264
	0.007	0.809	0.325	0.099
EMPD	0.690**	0.355*	0.443**	0.190
	0.000	0.029	0.004	0.240
Size	0.292	1	0.548**	-0.310-
	0.075		0.000	0.058
Age	0.304	0.548**	1	-0.056-
	0.056	0.000		0.733
Industry	-0.085-	-0.310-	-0.056-	1
	0.600	0.058	0.733	

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

*. Correlation is significant at the 0.05 level (2-tailed).

4.2.3 Multivariate Regression Analysis

Standards tests on skewness and kurtosis test (table 6), as well as Kolmogorov-Smirnov normality test and Shapiro-Wilk normality test (table 8) indicate that the dependent variable (corporate reputation) is normally distributed. In this vein, all independent variables and control variables are not to be normally distributed. Therefore, van der Waerden's transformation is employed to transform the dependent and continuous independent variables (independent variables and control variables) to normal scores for the conducting the regression analysis (Branco & Rodrigues 2008; Cooke 1998; Haniffa & Cooke 2005). Cooke (1998, p. 214) defined van der Waerden's transformation as '... is from actual observations to the normal distribution by dividing the distribution into the number of observations plus one region on the basis that each region has equal probability'. The van der Waerden's transformation is calculated using the following formula:

$$z = \emptyset^{-1}\left(\frac{r}{n+1}\right)$$

Table 8 demonstrates the Kolmogorov-Smirnov (K-S Lilliefors) and the Shapiro-Wilk normality tests statistics for the untransformed and the transformed data (van der Waerden's transformation) regarding to the dependent variables and the continuous independent variables. It can be seen that the transformation of the dependent variables is entirely successful, while the continuous independent variables is not entirely successful except for size and age.

Table 8: Tests of Normality

	Untransformed data				Transformed data			
	Kolmogorov-Smirnov[a]		Shapiro-Wilk		Kolmogorov-Smirnov[a]		Shapiro-Wilk	
	Statistic	p-v	Statistic	p-v	Statistic	p-v	Statistic	p-v
Dependent variables								
CR	.090	.200*	.982	.780	.057	.200*	.994	.999
Independent variables								
ENVD	.311	.000	.778	.000	.229	.000	.810	.000
COND	.266	.000	.846	.000	.319	.000	.816	.000
COMD	.269	.000	.867	.000	.221	.000	.884	.001
EMPD	.226	.000	.892	.002	.203	.000	.896	.002
Control variables								
Size	.293	.000	.591	.000	.023	.200*	.995	1.000
Age	.144	.045	.942	.048	.050	.200*	.989	.967
Industry	.433	.000	.586	.000	.433	.000	.586	.000

a. Lilliefors Significance Correction

*. This is a lower bound of the true significance.

In addition to tests of normality, the table 9 of correlation matrix for the dependent and continuous independent variables (transformed data) and the table 10 of collinearity statistics and are used to check for multicollinearity, homoscedasticity and linearity. If the coefficients of correlation between continuous independent variables exceed 0.800, that indicates only indicative of serious Collinearity (Guajarati 1995). The correlation matrix shows that the correlations between the continuous independent variables are low, that means; there is no serious multicollinearity. In addition, the Collinearity statistics illustrate that there is no problem with multicollinearity, because of the highest variance inflation factor (VIF) in the regressions are less than 3. Kennedy (1992) considers that based on the VIF, multicollinearity is a serious problem if continuous independent variables exceeds 10.

A residuals analysis is applied on the results, the problem of linearity and heteroscedasticity do not exist in the data. (Noruésis 1995, p. 447) defined Residuals as ‘what are left over after the model is fit and they are also the difference between the observed value of the dependent variable and the value predicted by the regression line’.

The Durbin-Watson (DW) is utilized to test the independent of errors (autocorrelation), for a level of significance of 0.05. The result of the Durbin-Watson *d* value can be a range from 0 - 4. If *d* value of the Durbin-Watson is equal 2, this leads to the independent of error. For accuracy, the Durbin-Watson *d* value greater than 3 or less than 1 is definitely reason for concern (Field 2009). The Durbin-Watson *d* values in these data are close to 2 and they do not be greater than 3 or less than 1. Therefore, autocorrelation does not form any problem with the data.

Multivariate regression models are applied for test the relationship between CSRD in annual reports of the years of 2007-2009 using four sectors and corporate reputation in the next sections.

Table 9: Pearson Correlation matrix for independent and the continuous independent variables (Correlation above diagonal, P-value below)

Variables (transformed data)	ENVD	COND	COMD	EMPD	SIZE	AGE	INDUSTRY	CR
ENVD	1	0.278	0.261	0.464**	-0.009	0.235	0.545**	0.184
COND	0.143	1	0.521**	0.575**	0.392*	0.468**	-0.073	0.810**
COMD	0.111	0.002	1	0.522**	0.240	0.284	0.292	0.437**
EMPD	0.006	0.000	0.001	1	0.439**	0.465**	0.209	0.712**
SIZE	0.974	0.028	0.128	0.003	1	0.601**	-0.279	0.364*
AGE	0.148	0.002	0.032	0.001	0.000	1	0.042	0.361*
INDUSTRY	0.000	0.510	0.063	0.299	0.143	0.735	1	-0.102-
CR	0.256	0.000	0.005	0.000	0.025	0.022	0.531	1

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

*. Correlation is significant at the 0.05 level (2-tailed).

Table 10: Collinearity Statistics

Variables (transformed data)	ENVD	COND	COMD	EMPD	SIZE	AGE	INDUSTRY
Tolerance	0.563	0.400	0.596	0.388	0.503	0.528	0.536
VIF	1.776	2.501	1.677	2.575	1.987	1.893	1.866

4.2.3.1 The Relationship between CSR Disclosure and Corporate Reputation

A multivariate regression model is utilized to test the hypothesis by using transformation data regarding to dependent and continuous independent variables. The table 11 shows the regression results using normal scores for the CSRD and corporate reputation based on the 'extent' of disclosure and reputation (scales). The overall regression model (1) is significant at the 5% level (F = 13.759). The adjusted R^2 for the regression model (3) is 71.7%. As mentioned above, the value of the adjusted R^2 of the variation in the corporate reputation scores between the firms can be interpreted by categories of CSRD scores included in the regression model, in other word the dependent variables (corporate reputation index) cannot explain 28.3% (100% - 71.7%) from the variations that happen in independent variables (level of CSRD).The regression model indicates a significant and positive relationship, as predicted, between consumer disclosure and corporate reputation (0.525, p-value < 1%). In addition, the results of the regression analysis reveal a significant and a positive relationship between employee disclosure and corporate reputation (0.500, p-value < 1%). However, there is not significant relationship between environmental disclosure and community disclosure with corporate reputation. Three of the control variables (size, age and type of industry) are not significant with corporate reputation measures at less than the 1% and 5% level.

The regression model supports the research hypothesis. There is a significant, positive relationship between level of CSRD and corporate reputation at the 1% significance level. On the other hand, there is significant relationship between both the levels of environmental disclosure and community disclosure with corporate reputation measures in the sample. A similar conclusion can be drawn with the regression model, the association between the three control variables (size, age and type of industry) and corporate reputation is not significant.

Table 11: Results of the regression model (3) for corporate reputation

Variables	Corporate Reputation	
	Coefficient Estimate	p-value
ENVD	-0.105-	0.384
COND	0.525**	0.001
COMD	0.048	0.683
EMPD	0.500**	0.001
Size	-0.048-	0.703
Age	-0.074-	0.548
Type of Industry	-0.073	0.552
R^2	0.762	
Adjusted R^2	0.707	
Durbin-Watson	2.346	
F-statistic and p-value	13.759; p-value = 0.000	
White heterosced test: p-value	0.013	
Sum of squares	33.331	

** Significant at the 0.01 level (2-tailed). * Significant at the 0.05 level (2-tailed).

4.3 The Perception of Managers about the Relationship between CSRD and Corporate Reputation

After accurate reading and reflecting on the transcripts, ordinal categories were developed by the researcher for the responses related to the key topics and questions that were asked. Table 12 shows the perception of financial managers and information managers in Libyan companies about the association between CSRD and corporate reputation.

Table 12: Summary of key findings by topics

Questions	Answers	EMPD and CR		COMD and CR		COND and CR		ENVD and CR		CSRD and CR	
		No	%	No	%	No	%	No	%	No	%
CSRD and Corporate Reputation (CR):											
▪ **The effect of CSRD on corporate reputation.**											
Does information about CSR activities affect corporate reputation?	Yes, definitely.	9 of 31	29%	6 of 31	19%	12 of 31	39%	8 of 31	26%		
	Yes, but not only a certain level of CSRD.	18 of 31	58%	17 of 31	55%	15 of 31	48%	14 of 31	45%		
	Yes, in theory.	1 of 31	3%	1 of 31	3%	1 of 31	3%	1 of 31	3%		
	Probably not.	3 of 31	10%	7 of 31	23%	3 of 31	10%	7 of 31	23%		
▪ **The association between CSRD and corporate reputation.**											
What is the extent of the association between levels of CSRD and corporate reputation?	Positive.	27 of 31	87	23 of 31	74%	27 of 31	87 %	23 of 31	74%		
	Negative.	0 of 31	%	0 of 31	0%	0 of 31	0%	0 of 31	0%		
	No link.	4 of 31	0%	8 of 31	26%	4 of 31	13%	8 of 31	26%		
			13%								
Does information about CSR activities improve corporate reputation?	Yes.	1 of 31		1 of 31	3%	2 of 31	6%	1 of 31	3%		
	Yes, but with positive	26 of 31		21 of 31	68%	24 of 31	77%	21 of 31	68%		
	information.	2 of 31	3%	7 of 31	23%	4 of 31	13%	7 of 31	23%		
	No.	2 of 31	84%	2 of 31	6%	1 of 31	3%	2 of 31	6%		
	Do not know.		6%								
			6%								
▪ **More details on association CSRD with corporate reputation.**											
Does choice of accounting policy interact with the amount of CSRD policy to affect corporate reputation?	Yes.									16 of 28	57%
	Possibly.									8 of 28	29%
	No.									1 of 28	4%
	Don't know.									3 of 28	11%
Does the effect of CSRD on corporate reputation depend on establishing a sustained commitment to improve CSRD?	Yes.									17 of 28	61%
	Possibly.									6 of 28	21%
	No.									2 of 28	7%
	Don't know.									3 of 28	11%

4.3.1 The Relationship between CSRD and Corporate Reputation

4.3.1.1 The Effect of CSRD on Corporate Reputation

Pressure from internal and external stakeholders strongly influences companies to maintain a positive, CSR reputation (Aguilera et al. 2007; Gioia et al. 2000). A strategic-level decision that influences management behaviour affects the reactions of stakeholders through control of a company's reputation (Brown et al. 2006; Gioia et al. 2000). Top management control a company's reputation by communication. In this regard, Hatch and Schultz (1997, p. 359) stated that top management make ‘‘deliberate attempts to influence public impression.’’ Companies are aware of the positive association between CSRD and a strong company reputation through pressure from external stakeholders. On the other hand, there is a negative association between poor CSRD and corporate reputation through stakeholder's reactions, in particular with company's products (Sen & Bhattacharya 2001). Therefore, the current study investigates the impact of CSR and CSRD on corporate reputation by considering the interests of different stakeholders.

The researcher asked whether level of each category of CSRD affects reputation of a company. There were similar opinions about the effect of each category on a company's reputation. For example:

> *A financial manager of each company can get an idea about the status and reputation of each company through reading their annual reports. Therefore, most companies are trying to highlight all information, especially the positive information, in order to give a good image and present it to users or stakeholders in the company.*

A gain deeper understanding of the effect of each category of disclosure on a company's reputation is provided in the following subsections.

I. Employee disclosure and corporate reputation

The majority of interviewees believe that employee disclosure can affect the reputation of a company. Nine (29%) said that employee disclosure definitely influences reputation of their companies. In addition, eighteen (58%) see that companies use employee disclosure with other factors in order to affect their companies' reputation. They confirmed that the credibility, transparency of information and the high level of financial performance of the company could also be considered the most important factors to obtain a good reputation and to increase the level of competition. In addition, this type of disclosure in the annual reports plays a major role in enhancing the company's reputation.

> *We think that the kind of social information that is disclosed in the annual reports ...credibility and transparency... and good financial performance... can affect the reputation of the bank... For example, the bank provided information about the apartments provided to employees. This information reflected on the reputation of the bank through stimulation and an increase of employee loyalty to their bank.*

They also believe that having good quality employee disclosure fosters a good reputation. Providing information about the extent of company of training, employee remuneration and employee benefits could allow the companies to attract experienced employees from other companies. Therefore, good reputation leads to obtaining employees who have good experience and skills to enable the company to achieve objectives accurately and quickly.

> *We think this is affecting the reputation. Information regarding human resources, this is a factor influencing the company's reputation by attracting many of the staff with good experience... increasing the number of trainees from year to year signals to the stakeholders that the company is interested in improving the professional capabilities of the employees.*

Furthermore, they see that investors are interested in employee disclosure such as the number of trainees and employee benefits, because this information illustrates the financial ability of the company to invest some money to improve skills of its employees and the extent of the company's interest in its employees.

> *In addition, investors pay attention to such information as the number of trainees and the value of bonuses reflect the financial performance of the company and the reputation of the company. Also, employee information reflects the company's ability to bear the financial burden in order to train and encourage workers through bonuses.*

One of the financial managers (3%) mentioned that employee disclosure absolutely has an effect on the company's reputation, but some stakeholders place greater focus on financial information. This focus is restricted in terms of its effect on the financial performance of the company.

> *Certainly, employee information affects the reputation of the company. However, the shareholders are interested in financial information more than other information and the interest of social information depends on the extent of its impact on the performance of the company.*

Three managers (10%) think that there is no effect of employee disclosure on a company reputation. They believe that employee disclosure has an impact on the company's employees, but not on the company's reputation.

> *We believe that this effect is limited to employees and not on the company's reputation when compared to consumer and environmental information... or employee information may have a limited impact, because the number of employees is limited compared to the community.*

II. Community disclosure and corporate reputation

Most interviewees believe that the level of community disclosure does affect a company's reputation. Six (19%) said that company reputation is definitely affected by the level of community disclosure. In this regard, seventeen (55%) believe that company reputation cannot only be influenced by the amount of community disclosure, but also the type of information about community activities in order to gain good support from the government and achieve social goals and boosts profits.

In addition, this disclosure permits these companies to attract more number clients and investors.

> *With regard to information about contributions to community service, disclosure leads to greater support from the government as such disclosure is aimed at social goals as well as profitability. For example, the company contributed and disclosed about what it offered for the care of orphans and gifts for the underprivileged, this interest gave the company a good reputation, which in turn reflected in a greater number of clients... and attracted foreign parties to invest in the company.*

In addition, managers think that more than one channel is used by most companies to benefit from the disclosure regardless of the kind of disclosure (financial or non-financial). One of the financial managers gave the following example:

> *Because social information is important for the bank, the bank has used channels other than annual reports for the disclosure of community, employee and consumer information. A video clarifies the activities to all stakeholders and the bank's role in encouraging these activities and their importance in the performance and their impact on the reputation of the company.*

Moreover, they see that the companies are more focussed on the commitment to credibility and transparency of this disclosure regardless of the sort of information, when the companies show this information in their annual report, because these factors have more effect on the company’s reputation than the nature of information used. They also think that stakeholders use this information to make investment decision and this disclosure could have a positive or negative influence on the company’s reputation.

> *Good Disclosure about negative activities could adversely affect and positive influence the company's reputation. However, the companies commit transparency and credibility, regardless of the type of information as there are stakeholders that evaluate this information. Therefore the companies would provide accurate data in order to maintain the reputation of the company, enable stakeholders to make appropriate decisions, and to attract investors and shareholders through the publication of the annual report.*

However, seven (23%) believe that there is no evidence about the effect of community disclosure on a company reputation. They believe that most stakeholders are not very interested in community disclosure, because there is no direct impact on the company’s reputation.

III. Consumer disclosure and corporate reputation

There was general agreement about the effect of consumer disclosure on a company reputation. Most interviewees see that consumer disclosure has an impact on company reputation. Twelve (39%) confirmed that disclosure about product development, product safety and product quality could influence the company’s reputation. Fifteen (48%) of the interviewees believe that a certain level of consumer disclosure affects company reputation. Consumer activities and competitive advantage are also significant factors which affect the good reputation of a company and increase the company's profit. The following comment illustrates that:

> *The Company's commitment to improving, developing, maintaining product quality, competition and disclosure of this information immediately leads to ...attracts new customers... increase in company's profits and improving a company's reputation.*

Furthermore, one of them thinks that the absence of disclosure regarding consumer disclosure or credibility give a bad image through changing the reaction of some stakeholders. This in turn affects negatively on the company's reputation.

> *We believe that the Company which fails to disclose social information or incomplete information or gives incorrect information adversely affect the reputation of the company through the continued refusal of banks, investors, suppliers, customers and the society to deal with this company. For example, the absence of social information could give most stakeholders an unknown and unclear image for the company. Therefore this could create and support the negative impact on performance, especially the company's reputation.*

Another one believes that the strong effect of consumer disclosure on the company's reputation does not depend only on awareness of the importance of this information. It also depends on the level of per capita income into the Libyan society.

> *Regarding the quality of products, it is linked to consumer welfare and the level of per capita income within the community. Whenever the income per capita was high, they will be looking for the quality of the product. Therefore, the awareness of the importance of this information is a catalyst in order to affect the company performance's reputation.*

Only three of the interviewees see that this disclosure could not influence company reputation.

IV. Environmental disclosure and corporate reputation

Most interviewees believe that environmental disclosure can influence the company's reputation. Eight (26%) said that environmental disclosure definitely affects the reputation of their companies. In addition, fourteen (45%) see that the companies use other factors such as competitive advantage with environmental disclosure in order to affect their company reputation. They believe that the amount of environmental disclosure about environmental performance, the credibility and transparency of this information has a major effect on the company's reputation, thus the company should disclose the environmental activities that are performed.

> *Another reason which affects the reputation of the company is the credibility and transparency of social and environmental information disclosed with the presentation of the company's actual social activities, positive or negative that has a greater impact on reputation... For example, accidents manufacturing operations fell to a good level. In addition, we have no manufacturing problems that can affect the environment compared to other*

industrial companies. This in turn could influence positively the reputation of the company.

They also confirmed that ignoring the influence of environmental disclosure undertaken by the company would lead to losing reputation of the company. Therefore, some companies have attempted to avoid past mistakes related to environmental disclosure to maintain their good reputation. The companies have also used their annual reports to include environmental disclosure to clarify the extent of the company's interest in this type of activity. For example:

The bank's presented a number of facilities that were illegal to some customers. These facilities had a negative impact on the preservation of the environment in previous years, which in turn impacted negatively on the reputation. Therefore, the bank requires customers or beneficiaries apply for loans to obtain the approval of the legislators to protecting the environment in order to obtain loans in the current time.

The annual reports include significant evidence about the company's commitment to preserving the environment and reducing the level of waste which damages the environment. This information affects the company's reputation and performance.

Five of the above interviewees mentioned that the companies have enough knowledge about the importance of environmental disclosure and its effects on performance in particular company reputation. Therefore, these companies allocate a part of their money to preserve the environment and avoid the negative effect on the company. In addition to that, they are interested in disclosing about environmental disclosure in their annual reports in order to obtain or maintain their reputation.

The company has a good reputation due to its interest in the preservation of the environment and following rules. This interest is reflected in the performance of the company. For example, farms that are surrounding the company are not affected. Sea product was also unaffected by the activities of the company.

Three of these interviewees stated that the environmental laws in Libyan have also obligated Libyan companies to be responsible about any negative effect on the environment due to their activities. Libyan environmental law imposes some sanctions on companies in the Libyan environment that caused pollution as mentioned in the following comment:

I believe that environmental laws have a greater role and are decisive in the company's commitment to safeguarding the environment and disclosure of environmental information in order to affect positively on the reputation of the company. However, the failure of the company's commitment to these laws will cause the company to pay a fine and damage the reputation of the company.

One of eight interviewees believes that some companies do not present adequate details about their environmental activities, when these activities have negative effects on the surrounding environment. Therefore, the companies only briefly mention negative environmental disclosure in order to maintain good reputation.

> *There are some companies that are trying not to give detailed information on the negative activities in particular environmental and consumer information, because this reduces the negative impact on the company's performance and reputation.*

However, seven managers (23%) think that the company's reputation cannot be affected by environmental disclosure in the annual reports for a number of reasons. First, stakeholders in these companies are not awareness of the importance of environmental disclosure and its impact on a company's reputation. Second, the culture of stakeholders is considered to be one of the most important factors that can influence a company's reputation such as Libyan or overseas stakeholders. Third, some stakeholders are only interested in financial disclosure.

> *As the culture and the awareness of the stakeholder has a great role in the importance of environmental information. In practice, it refers to the lack of interest of stakeholders such as customers and investors to information of these activities about the company.*

4.3.1.2 The Association between CSRD and Corporate Reputation

There was clear agreement expressed about whether there is an association between CSRD and company reputation and whether the companies use the amount of CSRD for improving their reputation. The majority of interviewees said that there is a strong association between the amount of CSRD and company reputation.

> *All the published information on human resources, contributions to community service and product or service give a good impression and reflect good views about the role and the importance of disclosure for the company, which in turn is reflected in the company's reputation.*

I. Employee disclosure and corporate reputation

The findings show that twenty seven (87%) believe that there is a positive relationship between employee disclosure and company reputation. Another twenty six (84%) confirmed that the companies use positive employee disclosure for maintaining or enhancing their reputation. Employee benefits which are obtained from a company, such as training, help a company to increase employee skills. These skills could enable a company to improve the quality of company's performance in terms of accurate and quick work. Therefore, disclosing employee activities in the annual reports illustrates the extent of a company's interest toward these activities as one of the most important tools used to improve performance, in particular a company's reputation.

> *Disclosure about human resources information helps in improving the quality of the company performance through what is offered to the employee, such as training, bonuses and advances to employees and others.*

Moreover, they mentioned that stakeholders consider employee activities and disclosure of them are of the main elements to develop and improve company's performance, because improving the work of employees reflects positively on performance. Companies care about the perception of their stakeholders, because the actions of stakeholders can enhance and diminish a company's reputation. The following comment proves that:

> *Show or dissemination of social activities provides positive and negative indicators. The negative are modified, while the positive are supported to improve the reputation of the company, which is clear due to the actions of employees, customers, shareholders, investors, etc. towards their company.*

On the other hand, four of thirty one (13%) stated that there is no link between employee disclosure and company reputation, and two (6%) mentioned that such disclosure could not improve corporate reputation, while another two have no idea about the relationship between this disclosure and the reputation of the company.

II. Community disclosure and corporate reputation

Twenty three of the interviewees (74%) believe that there is a positive relationship between community disclosure and a company reputation, and one mentioned that a level of community disclosure would definitely improve a company's reputation. A further twenty one (68%) believe that positive community information could enhance a company reputation. They stated that although companies place more importance on financial disclosure rather than non-financial disclosure due to the interest of stakeholders, nonetheless companies did not disregard the importance of employee information to some stakeholders as non-financial employee disclosure would support and improve a company's reputation.

> *Yes, we are trying to provide all information, whether financial or non-financial regardless of their intended target, but it actually improves the reputation of the company...Generally, there are some shareholders primarily interested in financial information, while others seem interested in both financial and social information due to the awareness of the importance of this information for the company.*
>
> *Although there are different types of users other than financial users who do not have awareness of the importance of community information, there is a positive relationship between the positive community information and reputation of the company.*

However, eight (26%) stated that there is no association between community disclosure and a company reputation and seven confirmed that this disclosure could not enable a company to improve or enhance its reputation, while the remaining two said that they do not know if this disclosure links with corporate reputation or not.

III. Consumer disclosure and corporate reputation

Twenty seven (87%) mentioned that the relationship between consumer disclosure and a company reputation is positive, two of the interviewees (6%) confirmed that this disclosure could enhance and improve reputation of a company, while twenty four (77%) believe that the positive of consumer disclosure would enhance a company reputation. They think that companies would attempt to provide more positive information disclosed about consumer activities as the most important factors that could enhance and improve a company's reputation. The positive information disclosed about quality, development and safety of products have taken more interest from stakeholders compared to other information, because it could affect a company's performance and it could attract greater number of customers who are searching to satisfy their clients. The following comment stated that:

> *We try to provide more and better information to the stakeholder in order to attract some investors and give a good idea of what the extent of the importance of this information for the stakeholders... For example, the bank got the amount of 440000000 Dinars during the previous 9 months due to several factors, including the dissemination of this information to the stakeholders which impact on the number of customers and investors, thus it is positively impact on the reputation of the bank.*

In this regard, other factors which have good relationship with a company's reputation are credibility, realism, transparency and a level of consumer disclosure. First, credibility and realism of consumer information consider an effective factor in a level of a company's performance, in particular a company reputation. These interviewees believe that whenever consumer disclosure in terms of quality, safety and development of product are credible and reliable, a company's stakeholders will be more confident about this product which in turn attracts greater costumer, investors and clients to buy this product. Second, a company should be transparency by providing all information about consumer activities in its annual report regardless of positive or negative, because stakeholders use this disclosure to make their decision. For example, investors use consumer disclosure to make their investment decision. Third, the amount of consumer disclosure has important role to improve a company reputation. Stakeholders need all information about consumer activities which include quantity and quality information.

> *Credibility, realism, transparency and the amount of the detailed consumer information reflected directly proportional to the reputation of the company. The use of quantitative and qualitative disclosure has a role as some stakeholders need some detailed information on some social issues, for example financial analyst.*

However, four (13%) believe that there is no link between consumer disclosure and a company reputation. In addition, another four managers (13%) think that this disclosure would enhance and improve a company's reputation, while one of the interviewees (3%) does not know if consumer disclosure associates with a company reputation. These interviewees were agreement about the reason of non-relationship between consumer disclosure and a company reputation as mentioned in the following three sentences. Some Libyan companies are still under privatised that means that most of the companies are controlled by the government. The numbers of stakeholders are limited compared to private companies and the lack of expansion ownership. Public companies are not listed in the stock market. All the mentioned reasons could not enable a company to use consumer disclosure to improve a company reputation. The following quotation mentioned that:

> *We believe that the lack of expansion ownership of the company... and a lack companies of listed in the stock market... reduce the importance of consumer information contained in the annual report, which in turn adversely affect the limited number of stakeholders of the bank. The expansion ownership of the company will increase the number and diversity of stakeholders. Also, the company is required to provide all required information that is expected to take advantage of them by stakeholders.*

IV. Environmental disclosure and corporate reputation

Most interviewees confirmed that the level of environmental disclosure is associated with a company reputation. Twenty three managers (74%) said that there is a positive relationship between a level of environmental disclosure and a company reputation. Furthermore, one believes that this disclosure could enhance and improve a company reputation, while another twenty one of financial managers (68%) stated that a positive of environmental information disclosed is adequate to improve a company's reputation. They see that most companies have presented the positive environmental information disclosed as leading to enhance and improve their reputation; however these companies have attempted to avoid the disclosure of the negative environmental information such as the percentage of pollution that caused a company. The negative information disclosed gives bad image about the nature of this product that presents a company to its consumer.

> *We believe that most companies disclose about the positive environmental information, which have a role in improving the company's reputation, but in the case of negative information, the company will try not to publish it because it would adversely affect the reputation of the company.*

The strongly perceived positive relationship between environmental disclosure and a company reputation is not only restricted to the amount of environmental disclosure, but also the quality of that disclosure. This means that both quality and quantity of environmental disclosure have a positive impact on a company reputation. Some stakeholders use this disclosure to identify whether environmental disclosure of a company has a positive or negative effect on its reputation before making investment decision.

> *We believe that most stakeholders can be affected by the positive of environmental information, but not only the amount of environmental information. This information is the most impact on the reputation, because most stakeholders focus on practical issues and not only interested to disclose the details.*

Some of these financial managers stated that there is a different relationship between environmental disclosure and the reputation of a company before and after its listed in the stock market. First, a company became more interested in environmental disclosure than before 2006. Second, it recognised the importance of environmental information to improve its performance through improving level of environmental disclosure. Third, stakeholders require a company to provide all financial and non-financial information to the stock market. The mentioned reason contributed to enhance and improve a company reputation. One financial manger presented the following example:

This effect was clearly evident in the last four years after the listed of the company in the stock market. The company has become more disclosed and more interested in environmental aspects through the installation of some devices to eliminate or reduce industrial pollution, participation in planting trees and the use of environmentally friendly equipment instead of heavy oil as well as banning smoking in the plant. This disclosure and performance reflected positively the company's reputation... and the company's share price.

In the other words, eight managers (26%) think that there is no association between environmental disclosure and a company reputation. Moreover, only seven managers (23%) saying it would have no improvement, while two (6%) did not know. As mentioned in the previous comments, they believe that the level of awareness and culture of most stakeholders have not yet reach to understand the extent of the relationship between environmental disclosure and a company reputation.

4.3.1.3 More Details on Association CSRD with Corporate Reputation

The researcher asked about whether choice of accounting policy interacts with the amount of CSRD policy to affect a company reputation. There was a clear variation between the interviewees about this association. Sixteen of twenty eight interviewees (57%) said that choice of accounting policy would definitely work together with the levels of CSRD to influence reputation of a company with eight saying it would have probably hence effect, if a choice of accounting policy interacts with the levels of CSRD. They also mentioned that accounting policy in Libyan companies discloses all information about CSR activities, specifically employee information, consumer information and a little information about environmental activities in financial and services sectors. In addition, they see that most companies provide quantity and quality information in their annual reports. The extent of developing and using appropriate accounting policy allow CSRD to affect a company reputation. Moreover, a level of competition and expanding the ownership base of a company are considered one of the most important motivations in a company to select good accounting policy that is fit to maintain a company reputation.

Yes, the extent of developing of social disclosure in a company from year to year increases the reputation of the company... through using an appropriate accounting policy in accordance with scientific and professional principles, this in turn give the disclosure more accurate and clear... We also believe that competition and the database where are available in the company have a significant role in the level of social disclosure in addition to expanding the ownership base of the company and the need for disclosure.

However, one of interviewees (4%) says that accounting policy applied in a company does not interact in enough with the amount of CSRD to affect a company reputation, thus a company should use international accounting standards to meet the requirements of both internal and external stakeholders' in particular foreign shareholders and investors with three did not know. The requirements of improving disclosure from a company's stakeholders have increased since the year of 2006, when the Libyan government announced establishing stock market. The following comments from financial manager and confirm that:

> *I think that, the accounting policy applied in the company does not fit well enough with the social disclosure to affect a company's reputation for a number of reasons... it does not meet the requirements of the disclosure process and does not provide the appropriate information to multiple stakeholders...and therefore the company shall apply international standards to support the process of disclosure and to benefit them.*

The researcher also asked whether the effect of CSRD on a company reputation depends on establishing a sustained commitment to improve CSRD. Seventeen of interviewees (61%) see that company's commitment to disclosing CSR activities in its annual reports would permit this information to affect a company's reputation with eight (29%) saying it would have probably hence effect on a company reputation, if a company would depend on establishing a sustained commitment to improve the levels of CSRD. They believe that this commitment came to obtain a company the benefits of disclosing CSR activities. In addition, the commitment of a company to disclose CSR activities that have high level of credibility and transparency would lead to enhance and improve a company's reputation. One of the financial managers stated that:

> *We believe that the impact of social disclosure... that has credible and a high transparency... on reputation depends on the establishment of a sustained commitment to improving disclosure, as the social activities advertised assess the status of the company, for example:... the company has committed to train the employees of the reports Department in order to benefit from preparation and presentation of social information to stakeholders and their impact on performance... In addition, spending and disclosure of contributions to the community service clarify what extent of the allocation and the interest of the company to spend some money in order to improve or community service... Also, spending and disclosure regarding environmental activities and a product give the idea to stakeholders such as customer and investor about what extent of the company interest to preserve the environment, develop and improve the quality of the product in order to attract and maintain the largest number of customers and employees who have good experience and high skills.*

One of these financial managers stated that shareholders depends on the continuity of this information where is included in the annual reports in order to evaluating their companies. Therefore, they claim their companies to present this report on time and they often read this information before and after publication as this information can affect a company's performance, specifically reputation.

> *Shareholders are more stakeholders interested in the information contained within the annual report. They read the information before publication and after, then the debate on the extent stated in the annual report. In addition to shareholders, public association demand to speed in providing this information, when the management delay in submitted in a timely manner.*

One the other hand, two (7%) see that this commitment does not add anything and three do not know the extent of the effect of this commitment on the link between CSR and its disclosure on a company reputation.

In conclusion, the findings of the interviews support the research hypothesis. First of all, the findings reveal that a certain level of CSRD can affect corporate reputation. Second, there are a positive relationship between level of CSRD and corporate reputation. Third, a choice of appropriate accounting policy plays an important role to interact with level of CSRD to affect corporate reputation. Fourth, establishing a sustained commitment for improving level of CSRD raises the effect of CSRD on corporate reputation in the Libyan companies. Finally, these findings also support the quantitative study of this paper in terms of the relationship between both employee disclosure and consumer disclosure with a company reputation.

5. Discussion

Although some evidences in the literature review to date appear a mixed relationship between information disclosure and a company reputation using different methods, the findings of both quantitative and qualitative research in this paper are consistent with the concept of stakeholder theory, which predicts a positive relation between high level of CSRD and a company reputation. The positive relationship appears due to the following reason. First, the majority of both financial managers and information managers think that changing in the level of CSRD in Libyan companies can lead to changing the level of a company reputation; this means that high level of CSRD does increase/improve a company reputation. Most quantitative studies in the literature review find such relation in the data. CSRD is particularly important in enhancing the impacts of CSR on a company reputation (Branco & Rodrigues 2006). CSRD is used to protect, enhance or create a competitive advantage and a company image or reputation, because CSRD is a communication instrument (Hooghiemstra 2000). In this regard, companies probably use CSRD to assess their reputation under conditions of incomplete information through their stakeholders group, because CSRD is considered as one of the informational signals (Teece et al. 1997). Besides the previous reason, “creating a positive image may imply that people are to a great extent prepared to do business with the firm and buy its products” (Branco & Rodrigues 2006, p. 125). Toms (2002) reveals that companies that implement monitor and disclose environmental activities in their annual reports could create and contribute good environmental reputation.

Second, the majority of interviewees confirm the importance of the benefits of CSRD to stakeholders’ group in this paper to obtain a company reputation. They believe that stakeholders are interested with both qualitative and quantitative disclosure in their companies. These findings are consistent with the following results of the studies. CSRD has important consequences to create or deplete a company reputation, because this associated with employees (Branco & Rodrigues 2006). The external benefits of CSR are related to its effect on a company reputation, thus companies with good CSR reputation may improve relations with external actors. The interviewees believe that stakeholder group such as investors, managers and employees could benefit from CSRD through their decision making. In addition, Companies that have good CSR reputation could improve relations with external stakeholders such as customers, investors, bankers, suppliers and competitors. Furthermore, information about outcomes regarding CSRD can help build a positive image with stakeholders. The quantitative study of Branco and Rodrigues (2006) agree with the previous result that companies need to create CSR values, which are shared to some extent by consumers, investors, employees and other stakeholders, and considered in their decision making. For instance, CSR activities and disclosure can attract and retain good employees, help attract better job applicants and lead to increasing organisational commitment on their part if they are the aware of the importance of CSR of businesses. Toms (2002) and Hasseldine et al.(2005) suggest that the qualitative nature of environmental disclosure is more likely to enhance a company reputation than quantitative disclosure.

CSRD can be considered as the most important factors that can lead to improving a company reputation as a signal of creation, enhancement of relation with stakeholders because CSRD affects the external and internal perception of reputation. The creation of positive reputation is difficult for companies to realise the value of this reputation, if companies invest in CSR activities without making associated disclosures (Hasseldine et al. 2005; Toms 2002). In addition, most financial managers view enhancement of the company’s reputation for transparency as the number one motive for CSRD.

6. Summary and Conclusion

This paper analyses the relationship between CSRD and corporate reputation by a sample of the Libyan companies in four sectors (manufacturing sector, banks and insurances sector, services sector and mining sector), using a theoretical framework which combines stakeholder theory. This framework shows that an importance of CSRD related to four categories (environmental activities, consumer activities, community activities and employee activities) to stakeholders. Managers and employees increasingly require considering CSRD as a signal of improved CSR conduct in those fields because disclosure affect the business performance such as a company reputation. CSRD also leads to important results in creation or deletion of other fundamentally intangible resources, and may help build a positive image with employees and managers. By demonstrating that a company does emerge CSR activities for their enhancing organisational performance, whereas non-emerging CSR can destroy organisational performance for a company, hence stakeholders require their companies to disclose CSR activities in their annual reports.

Annual reports are considered as the most important document in Libyan companies. The noticeable results show that most companies disclose four categories of CSRD, whereas few companies do not present CSR information on their annual reports. In addition, consumer and employee disclosure are more important than others, whereas environment and community disclosure are the fewest important in manufacturing, services and banks and insurance companies. However, environmental disclosure is high in manufacturing and mining companies comparing to banks, insurance and services companies. These findings are likely to present the fact that annual reports are directed and natural at stakeholders to be interested in CSRD.

The results in this paper indicate that companies exhibit greater concern to improve a company reputation via an increase of CSR information in annual reports. In this regard, to improve a company reputation in these sectors, there is greater concern for environmental disclosure, consumer disclosure, community involvement disclosure and employee disclosure in the qualitative results, whereas there is greater concern for consumer disclosure and employee disclosure to improve a company reputation in the quantitative results. Hence, the results of this paper provide a good support for the use of a combination of stakeholder theory with resource-based perspectives to explicate the impact of CSRD on some organisational performance in terms of corporate reputation by Libyan companies.

This paper contributes at least in five ways to research and practice: first, it presents the first empirical data related to Libyan companies to the previous research on CSRD; second, it extends previous research that links level of CSRD with organisational performance using a combination of institutional and resource-based perspectives. Third, it reveals the nature of the relationship between level of CSRD and a company reputation in spite of a lack of CSR information in annual reports of developing countries comparing with developed countries. Fourth, the findings of this research will also give strong motivation to Libyan firms in the Libyan context to increase levels of CSRD disclosure and therefore to improve the reputation of the firm in the future. Finally, these findings will encourage Libyan companies to distribute their annual reports to both internal and external stakeholders.

However, this paper has a number of limitations: first, this paper focuses on only CSRD in annual reports, although these companies use other mass communication mechanisms. Second, although it consists of most the relevant Libyan companies, this sample is likely to be considered small in the quantitative research; hence the use of a larger sample by Libyan companies are likely to add new insights to analyse of CSRD. Finally, it is probably content analysis issues related to the level of subjectivity that are entailed in the coding process.

Some issues should be covered by future research. Future research should use more refined content analysis methods, analyses of the categories of CSRD taken individually, the comparison of CSRD practices by Libyan companies with foreign counterparts and the use of larger samples of companies. Future research should use external stakeholders group or both of them to understand the relationship between CSRD and corporate reputation.

Endnotes

[1] A rule of thumb for the normal distribution of the data based on the statistic value (z) for the skewness and kurtosis is that a calculated statistic value should not exceed the critical z value ±2.58 at the 0.01 probability level and ±1.96 at the 0.05 probability level ((Hair, Anderson, Tatham, & Black, 1998, pp. 70–73).

[2] This method of obtaining Normal Scores is the approach adopted by SPSS

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