



An Analysis of Disclosure of Social and Environmental
Responsibility and Stakeholders Perceptions – The Case
of Jordan

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بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

**IN THE NAME OF GOD THE
BENEFICENT THE
MERCIFUL**

Abstract

This PhD thesis is an exploratory study examining the practices of *Corporate Social and Environmental Disclosure* (CSED) in the annual reports of the manufacturing sector in Jordan over the period 2010-2012. The study is based mainly on empirical investigation of the level and patterns of CSED practices by 66 industrial companies listed in the *Amman Stock Exchange* (ASE). In addition, it focuses on analysing determinants of the practices of CSED by firms in the manufacturing sector.

This study is concerned with the common area between functionalist and interpretive paradigms. Therefore, both quantitative and qualitative methods were employed as a mixed practical approach to collect, analyse and interpret the required data. Specifically, the disclosure index was selected as an appropriate approach to extract quantitative data regarding CSED practices. Additionally, semi-structured interviews were used as a qualitative method to explore the stakeholders' perceptions of the impact of local external factors on CSED practices. The Random-Effect Model was the most appropriate analysis technique to analyse possible relationships between internal factors and the level of CSED, and the stakeholders' views were evaluated through the use of open critical discussion to ascertain the effect of the local contextual factors on the practices of CSED.

The results showed the existence of unsatisfactory levels in the practices of CSED during the survey period. Furthermore, the results of the random effect model indicated that the firm size, audit firm and type of financial market were all significant. However, this result of type of financial market coefficients indicated an inverse relationship in explaining the level of CSED practices. Moreover, stakeholders' views regarding the effect of the external factors on CSED practices showed that the political system, legal system, cultural values and economic development are also significant factors in explaining CSED practices in the corporate annual reports.

Declaration

I Tareq Bani Khalid, hereby certify that the thesis is my original piece of work, that it is the record of work carried out by me and that it has not been submitted for a comparable academic award. The thesis is submitted in part fulfilment of the University's requirement for a research degree award.

Date:

Signature of Candidate:

Dedication

To the soul of my father “Oudeh” (May God’s blessings be upon him), who taught me the essential principles of life

To the greatest woman in my life, my mother, for her constant encouragement & continuous prayers

To my life partner, my beloved wife “Doha”, for her support & inspiration during my PhD journey

To my lovely daughter “Weed” and my funny son “Sultan”, thanks for making me happy

To my brothers, sisters, and my friends for their continuous support & encouragement

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List of Abbreviations

No	Abbreviation	Full form
1.	AAA	American accounting association
2.	AICPA	American institute of certified public accountants
3.	ANOVA	Analysis of variance
4.	ASE	Amman stock exchange
5.	CBJ	Central bank of Jordan
6.	CFR	Corporate financial responsibility
7.	CGF	Corporate governance and responsibility
8.	CR	Corporate responsibility
9.	CSED	Corporate social and environmental disclosure
10.	CSER	Corporate social and environmental responsibility
11.	CSR	Corporate social responsibility
12.	DOS	Department of statistics
13.	EMAS	Eco-management and audit scheme
14.	EPC	Executive privatization commission
15.	GC	Global compact
16.	HR	Human resources
17.	IMF	International monetary fund
18.	ISO	International standardization for organization
19.	JCM	Jordan capital market
20.	JOPH	Jordan phosphate mines company
21.	JSC	Jordan securities commission
22.	LOB	Jordanian legislation: national information system
23.	MOA	Ministry of agriculture
24.	MOE	Ministry of the environment
25.	RHC	Royal Hashemite court
26.	ROA	Return on assets
27.	ROE	Return on equity
28.	ROS	Return on sales
29.	SDC	Securities depository centre
30.	SPSS	Statistical package for social sciences
31.	SRI	Stanford research institute
32.	UNHCR	United nations high commission for refugees
33.	UNRWA	United nations relief and works agency
34.	WB	World bank
35.	WBCSD	Business council for sustainable development

Chapter One: Introduction and Overview of the Study

1.1 An Overview of this Chapter

This chapter provides the reader with a basic understanding of the research issues associated with corporate non-financial practices in Jordan. It is made up of six sections: Section 1.2 provides an overview of the conceptual framework of *Corporate Social and Environmental Responsibility* (CSER) from the related literature. Section 1.3 discusses the importance of the research and its objectives. Section 1.4 describes the research issue and questions specific to the study. Motivational reasons for conducting this research are highlighted in Section 1.5, and finally, Section 1.6 describes the structure of this research.

1.2 A Brief Background to the Study

In the past decades, the main responsibility of organizations was economic in the first instance, in the sense that the continuation and survival of these organizations was required only to maximise the wealth of its shareholders, in addition to the owners' value (Freeman, 1984; Balabanis et al 1998). However, focusing only on financial goals without any consideration of social and environmental activities has become a source of global concern to many stakeholders, especially, following the emergence of a number of global issues associated with corporate ethical responsibility over recent decades¹ (Gray et al, 1996; Aloquili & Kouhy, 2006; Sibelhorn & Warren, 2007).

Corporate response to this global concern led to numerous changes in the concept of stakeholder, which centered on the expansion of the stockholders concept, with a goal of avoiding socio-regulatory pressures (Freeman, 1984). In

¹ These business scandals and ethical issues Include such as: Nestle baby milk scandal in the 1960s; pollution issues, poverty disease, child labour, workers' rights and green evaluation in 1970s; the Union Carbide chemical leak in Bhopal India in 1984; the Chernobyl disaster in 1986; and Exxon Valdez oil spill in Alaska in 1989.

this regard, Freeman (ibid) suggested that in addition to stockholders, corporations are responsible to other groups such as employees, customers, suppliers, environment and society. This recognition of other business stakeholders in addition to shareholders has led to the emergence of the concept of CSER in business literature (Hassan, 2010).

CSER concept gained increasing importance in the literature as an effective method of reducing public criticism of the negative impacts of business operations on the environment and local communities, especially for those parties who have indirect interactions with the firms (Freeman, 1984). It is argued by Deegan et al (2000) and that corporate business environment is surrounded by strong public scrutiny from diverse stakeholder groups that are calling on businesses to accept accountability for not only their economic actions, but also the social and environmental implications of their activities. Researchers have therefore given this greater attention on the grounds that economically successful organizations will necessarily be more accountable to their stakeholders and then more responsible for their work and their actions (D'Amato et al, 2009).

Consequently, numerous studies have proven that the profit standard is no longer the only one by which corporate performance can or should be evaluated (Gray et al, 1995; Deegan et al 2000; Jarbou, 2007; Hassan, 2010). These studies asserted that CSER activities are no less important than corporate financial activities. For instance, Gray et al (1995a) argue that CSER practices are often used as a way to achieve congruence between an organisation's internal economic values and external societal expectations. This means that, such non-financial practices can assist organisations in ensuring the survival, growth and

continuation of financial operations, both locally and internationally. Furthermore, Jarbou (2007) indicated that CSER practices are among the ethical standards aiming to preserve the rights of all stakeholders, both internally and externally. Therefore, these practices can also be used by firms as means of increasing their legitimacy in front of stakeholder groups. In addition to these considerations, CSER practices are considered by Deegan et al (2000) as a strategic tool to maintain positive and cohesive stakeholder relationships as well as to strengthen the corporate reputation as one of a business's intangible assets.

Based on these considerations, it can be concluded that, companies are not only responsible to their internal stakeholders, but also to external stakeholders and the surrounding environment as a whole. In this context, Holme and Watts (2000) argue that, CSER represents an enduring pledge by businesses to behave morally and to contribute to economic development while also improving the quality of life of both the workforce and the local community in which they are operating, and of society at large.

Aligned with the above view, CSER is viewed as a voluntary agreement in the form of a social contract between business and society. This agreement primarily seeks to achieve a balance of rights and obligations among all stakeholder groups by maximizing shareholder profits, as well as to enhance the well-being of their external stakeholders (Deegan, 2002; Smith, 2011).

However, for the successful implementation of this agreement, organisations may need to justify their social responsibilities to surrounding communities. Therefore, many organizations aim to employ a CSED practices within their internal reporting policy as one of the strategic actions that can be used to

convince stakeholders they have engaged in socially responsible behaviour (Deegan & Gordon, 1996; O'Donovan, 2002).

Nowadays, especially when making strategic business decisions that involve potential economic consequences, CSED has become as a major stakeholder necessity, particularly in terms of non-financial information. Its overall objective is to enable businesses to respond to the demands of other stakeholders concerning several social and environmental issues, such as: reducing environmental impact, improving product quality and to protect consumers, implementing efforts to satisfy employees' needs, and to increase public awareness about the impacts of business and its interplay with society (Jenkins & Yakovleva, 2006; Hassan, 2010). It is also argued that CSED is continuously growing and becoming a global trend in the last decades as a one of the most important standards that should be taken into account when making an investment decision (Carroll & Shabana, 2010). On this basis, CSED, in its broadest sense, is viewed as an effective means of interaction and communication between firm and its stakeholders, whether internally or externally (Gray et al, 1995a).

From this perspective, this type of voluntary disclosure gives more comprehensive information on corporate reporting, thereby enhancing the credibility of such disclosures. This helps to improve stakeholders' confidence in making more informed strategic decisions. The aim, therefore, of this PhD study is to increase knowledge of the level of CSED practices in the context of Jordan. Additionally, it also involves the exploratory analysis of the different factors that determine the level of CSED practices.

1.3 Statement of the Research Problem

In the absence of regulated social reporting disclosures, many companies in developing countries continue to face increasing demands to disclose more CSER information (Belal & Cooper, 2011). The lack of regulations in CSED practices could be the main reason why companies fail to meet the needs of diverse stakeholders for social and environmental information (Hill & Jones, 1992). Hassan (2010) argues that the voluntary nature of CSED practices is likely to cause social anxiety which may lead to conflict between companies and different stakeholders, whether internally or externally. Consequently, this conflict could lead to a legitimacy gap between the firms and their stakeholders (Deegan & Rankin, 1999). As such, a business without stakeholder's trust will eventually lose its licence to operate, which will have a negative impact on the country's economy (Habisch et al 2004).

In a developing country like Jordan, the lack of mandatory standards in CSED practices continues to be the main challenge for transparency and corporate disclosure. This voluntary nature of CSED practices is considered a main reason for making this type of disclosure, usually subject to the different views and trends of corporate managers in Jordan. As such, corporate managers usually tend to meet the need for social and environmental information of specific groups of stakeholders, especially those who enter into a direct contractual relationship with the firm's operations. In general, this issue has led to an increased sensitivity to anti-environmental behaviour, and then to an increase in the public awareness of human rights and society.

Both failure to manage conflicts of interest and a lack of government initiatives to achieve balance between corporate economic and social objectives are

considered to be the decisive factor that led to the emergence of a number of court cases against corporate responsibility in the Jordanian business environment. This problematic issue is associated with CSR and occupational safety and health (Ad-Dustour, 2015)

Recognizing the importance of this issue, together with the lack of sufficient CSED practices in the context of Jordan; it could be argued that there is a need to create an integrated framework to explore the various factors that determine such practices in a developing country like Jordan. In response to this need, this study aims to analyse the practices of CSED in corporate annual reports, and to determine which factors affect such voluntary practices in Jordan. Therefore, to accomplish this purpose, the following research questions need to be answered:

Q1: What is the level of CSED in the annual reports of industrial companies operating in Jordan?

Q1.1: What is the level of CSED in the annual reports by sub-sectors?

Q1.2: What is the level of CSED in the annual reports by disclosure themes?

Q1.3: What is the level of CSED in the annual reports during 2010 to 2012?

Q2: Do firms' characteristics determine the level of CSED in the annual reports of industrial companies operating in Jordan?²

Q3: What are stakeholders' perceptions regarding the effect of external factors on the level of CSED practices?

Q3.1: What are the stakeholders' perceptions regarding the impact of the political context on the level of CSED practices?

Q3.2: What are the stakeholders' perceptions regarding the impact of the legal context on the level of CSED practices?

Q3.3: What are the stakeholders' perceptions regarding the impact of cultural values on the level of CSED practices?

Q3.4: What are the stakeholders' perceptions regarding the impact of economic development on the level of CSED practices?

² Under this key question, 10 research hypotheses have been raised within the theoretical chapters of this PhD thesis.

1.4 Importance and Objectives of the Study

Despite the voluntary nature of CSED described in the preceding section, it is considered an efficient way to maintain and improve corporate image (Parsa & Kouhy, 2008). Many researchers argue that the best way to attain a good corporate reputation is by achieving the right balance between the various stakeholders' need for CSER information (Adams 2002; Lu, 2009; D'Amato, 2009; Smith, 2011). Nevertheless, CSED is said to be a vehicle for providing social and environmental information that may satisfy accountability relationships with stakeholders. Through this accountability, it is used by organizations to achieve a sense of balance between corporate social and economic objectives, including disclosures for their own sake (Mintzberg, 1983). In other words, CSED can be regarded as a useful way to avoid potential conflicts surrounding the environment in which the business operates (Freeman, 1984); which would create a just society among business corporations (Deegan & Gordon, 1996). Consequently, it is an indication of corporate moral consciousness of social and environmental issues (Gray, 2000). On the other hand, studies such as those undertaken by Blacconiere (1994), Waddock and Graves (1997), and Brammer and Pavelin (2006) argue that CSED also plays a significant role in enhancing corporate financial performance, as well as attracting more investors (Gallego, 2006).

Based on the above arguments, it could be argued that the importance of this research stems from the general agreement among researchers that CSED is an effective way to achieve a balance between corporate economic objectives and social objectives, and to avoid the conflicts of interest between internal and external stakeholders. In addition, CSED practices, whether in Jordan or any

developing country, have become one of the most important standards that should be taken into account on investment decision-making (Yekinni, 2008). This is because CSED practice can help in determining the nature of a corporations' relationship with its stakeholders. Therefore, CSED practice can be used as a useful way to solve these kinds of conflicts in the context of Jordan. In addition to the above discussion, this research has also identified three reasons as rational justifications for conducting this research in the context of Jordan during the period 2010 to 2012. **First**, there is an urgent need to address one of the most important problematic issues raised in the Jordanian business environment in 2009, which is described in the earlier section. The **second** important point is based on the Arab Spring's impact on corporate voluntary practices during the period of 2010 to 2012. Additionally, this research period was selected based on the availability of data in 2013, as there was no access to data from this year. **Thirdly**, it is also important to explore the level of CSED practices in the industrial sector as it is one of the most crucial sectors in the Jordanian economy.

Consistent with the above discussion, this study therefore aims to investigate the level and patterns of CSED practices in the corporate annual reports of Jordan, additionally exploring the main factors that determine such practices. As such, the following points briefly summarise the key objectives of this PhD study:

- 1. To explore the level of CSED practices in corporate annual reports.*
- 2. To investigate the internal factors (corporate characteristics) that affects the level of CSED practices.*
- 3. To explore stakeholders' perceptions of the external factors (the local contextual factors) affecting the level of CSED practices.*
- 4. To provide summaries of policy recommendations on how to handle such voluntary corporate disclosure practices in Jordan.*

1.5 Motivation for the Study

As discussed in section 1.3, the main motivation for conducting this study is the problematic issue that has emerged in the context of Jordan after 2009. This issue prompted the researcher to read and learn more in order to find out why such problems occur, and how to solve them.

According to the existing literature on CSER disclosure, a number of researchers have advocated that more research be conducted on this type of corporate voluntary disclosure within the context of developing countries (e.g. Gray et al, 1996; Sobhani et al, 2009; Aldrugi & Abdo, 2014). Having reviewed the content of the above studies, it can be concluded that there is a need for further contributions to understand, evaluate and analyse the problematic situation that lies behind the low level of CSED practices in developing nations. In addition, it is required in order to bridge the gap in CSED literatures between developing and developed countries (Rizk et al, 2008). As such, this section provides a summary of the motivation for conducting this research.

Firstly, it should be noted that some previous research on CSED practices has documented³ that, the volume of information disclosed by corporations in less developed countries is somewhat clearer and more tangible than in the past. However, Aldrugi and Abdo (2014) claim that developing countries still have a long way to go in order to reach the level attained by their counterparts in developed countries. Belal (1999) argues that developed countries, especially the US, Europe, Australia, and New Zealand remain dominant in CSED studies. Therefore, on the basis of this gap in the literature, the need to create an integrated framework to explain CSED practices stems from the gulf between

³ See for example: Belal (2001); and De-Villiers & Van-Staden (2006).

developed and developing countries. Consequently, this issue provides the first motivation for this study to explore CSED practices in Jordan as a modest contribution toward bridging this gap.

Secondly, the vast majority of CSED studies that have been conducted in developing countries have focused on analysing the impact of corporate characteristics on CSED practices. It could therefore be argued that there is a significant lack of research that specifically focuses on analysing the relationship between local contextual factors (social, political & economic) and CSED practices in those countries in general (Ahmad, 2004), and Jordan in particular, the focus of this research project. To the best of the researcher's knowledge, there are no previous studies in developing countries that have examined both internal and external factors in interpreting the practices of CSED. Consequently, this issue can be considered as the secondary motivation for conducting this PhD study.

Finally, current CSED literature on developing countries generally lacks empirical studies that investigate stakeholders' views about the importance of CSED practices as a means of dealing with the internal and external demands within these countries (Ahmad, 2004). Therefore, there is a need to conduct an empirical investigation with different stakeholder groups in order to better understand their views on the factors that determine the level of CSED practices within Jordan, as a developing country.

1.6 Outline of the thesis

In order to give the reader an overview of the main content of this study, this section provides an outline of the structure and organisation of this PhD.

Chapter one gives an introduction to the background of this study and covers basic research issues, which were considered as necessary requirements in order to achieve a successful thesis. More specifically, this chapter provides an overview of the background and rationale of the CSED concept, along with a review of the research problem behind this study. Moreover, this chapter briefly deals with the research objectives and importance of this study. Lastly, it summarises the overall structure of this thesis.

The discussion of chapter two is centred on the important issues of CSER practices, by reviewing the relevant literature. Therefore, this chapter reviews the historical background of CSER theories and previous studies of CSER reporting. Moreover, it provides an overview of CSED as one of the most important company practices in this area in terms of definition, motivations and dimensions of corporate reporting. The chapter concludes with an overview of some attempts to support CSER reporting at international level. Research questions and hypotheses are derived based on the discussion throughout this chapter.

Chapter three provides a complementary element to the theoretical framework discussed in chapter two. This chapter introduces the local contextual factors affecting the level of CSED practices in Jordan. It seeks to present an overview of the Jordanian political, legal, economic, and cultural systems as main factors influencing CSED practices. This chapter addresses the historical, legal and economic background of Jordan with the cultural systems as main determinants

of CSED practices. This chapter also provides an overview of the main empirical studies previously carried out within the Jordanian business environment.

Chapter four provides a detailed description of the research methods and methodologies employed by the study. This chapter is divided into two key sections, namely: (i) methodology and (ii) method. The first section initially presents the concept of research paradigms, along with the philosophy of social science research. It also focuses on the philosophical assumptions that underpin this study. The second section deals with the research methods, specifically discussing both the disclosure index, and interview method used in this study to collect data.

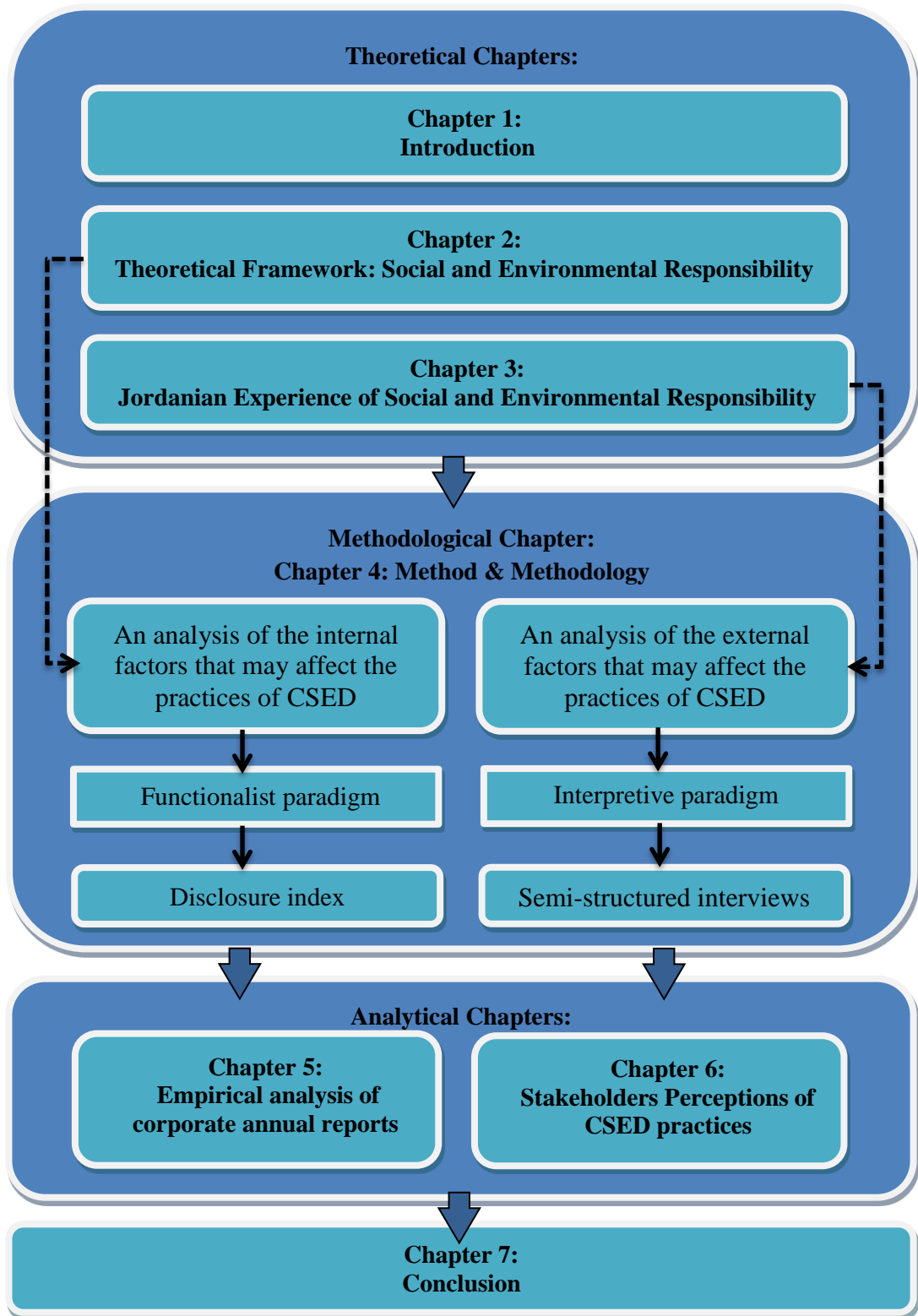
Chapter five describes the results obtained from annual reports by using the disclosure index method as a practical technique to collect and interpret the quantitative data. More specifically, this chapter aims to answer the research questions regarding the level of CSED practices, as well as to test the hypotheses regarding the internal factors that influence the level of CSED. For this purpose, this chapter deals with two types of data analyses: (i) descriptive analyses of the level of CSED practices in the annual reports and (ii) statistical analysis to measure the influence of corporate characteristics on the level of corporate practices. Overall, the results show that there are differences in the levels of CSED practices in the corporate annual reports. It also reveals that corporate size, audit firm, and type of financial market are significant factors that affect the practices of CSED than others in a Jordanian context.

Chapter six deals with the stakeholders' perceptions on the impacts of the external factors on CSED practices. This chapter includes results obtained from

the perception of Jordanian stakeholders using semi-structured interviews conducted with two types of stakeholders, namely: internal and external. The results indicated significant consensus among the interviewees' perceptions. More specifically that the political conditions, legal system, cultural values and economic development are significant factors in explaining CSED practices in Jordanian context.

Chapter seven presents the main results in accordance with each key purpose of this PhD study. It also sheds light on the contributions made by the current research to CSED literature and identifies the limitations of the study. Finally, this chapter offers some suggestions and recommendations for future research to this research area.

Figure 1-1 Structure of the study



**Chapter Two: Theoretical Framework: Social &
Environmental Responsibility**

2.1 Introduction

The concept of CSER is not a new term within social sciences. In ancient writings, this term was documented through a variety of synonyms that refer to similar meaning. This includes such as: sustainability, citizenship and the social contract, philanthropic initiatives, wealth creation, business ethics transparency, and accountability.

These concepts were originally used as synonyms when referring to interaction between moral practices and business operations (Brown & Forster, 2012). The following section of this chapter reviews the literature on the particular issue of corporate responsibility, with special reference to corporate non-financial disclosures.

In particular, the overall aim of this chapter is to provide an overview of the relevant issues of CSER. Section 2.2 reviews the theoretical background of CSER theories; Section 2.3 discusses the definition of CSER, along with the motivations of this practice. Section 2.4 provides the determinants of CSED practices, while Section 2.5 summarises the chapter.

2.2 Theories in Explaining the Practices of CSED

Existing literature has provided a number of valuable theoretical perspectives on how one might interpret corporate motives for reporting such voluntary practices. Stakeholder, Legitimacy, Political-Economy and Accountability theories are the main tenets of the theoretical frameworks identified in the literature of CSR (Gray et al, 1995a; Deegan, 2002).

As argued by Gray, Owen and Adams (1996, p.45) each of these perspectives takes a different approach in explaining the purpose of practices of CSER

disclosures. For example, the core idea of stakeholder theory is the management of the disparate interests within organizations, which can be achieved by maintaining a balance between the internal and external needs of stakeholders (Freeman, 1984).

Legitimacy theory is described by Richardson (1987, p.352) as a “*means by which social values are linked to economic actions*”, in order to achieve harmony between corporate practices and the legitimacy of their existence. Whilst Accountability theory is viewed by Gray et al (1996) as part of corporate obligations to provide legal rights and recourse to those who might be affected by the corporate practices. It has also been documented that political-economy theory can be used to describe the interplay between the political and economic contexts in society (Miller & Hopwood, 1994).

Thus, it is argued that the diversity of philosophical explanations of CSED practices is continuously growing and has become a global trend in recent decades (Carroll & Shabana, 2010). This implies that the current CSED theories that can be used to explain the corporate voluntary practices have evolved over time. Therefore, in order to better understand of the philosophical foundations underpinning the practices of CSED in general and particularly in the context of Jordan; the historical background of these theoretical frameworks first needs to be reviewed.

2.2.1 Evolution of CSED Theories

The study of the historical development of corporate social behaviour is considered vital in order to obtain a full understanding of the conceptual framework of CSER. This also helps to clarify first impressions about the

increasing attention to and the scientific contributions across the CSR life cycle (Moir, 2001).

Indeed, despite its importance, there are few studies that have discussed the evolution process of CSED theories. Among these few studies, Bakker et al (2005, p.284) who mention in their study that “*we want to explore this evolutionary process of CSER theories*”, because tracing the historical development helps us to understand the impact of CSER activities on organizational behaviour, both in financial and social terms.

Specifically, few researchers have addressed the evolutionary trends of CSED theories through certain historical events during the life cycle of CSER. For example, Garriga and Mele (2004) explained these using four categories, namely: economics, politics, social integration and ethics. The economic category considers CSED as a means to maximise profits by focusing on the financial aspect of firms. Political theories assume a good social relationship between firms and society while continuing the sense of economic responsibility. Integrative theory, on the other hand, suggests compatibility and legitimacy of social rights between firms and society, while ethical theory is rooted in an obligation in the firm's practices toward stakeholder groups.

Golob and Bartlett (2007) classified the evolutionary path of CSER theories across three time phases: (i) their “*existence*” from the 1950s to 1960s; (ii) their “*proliferation*” from the 1970s to 1980s and (iii) “*increasing attention*” from the 1990s to 2000. Similarly, Preston (1986) divided this into four phases: a first stage of “*gestation and innovation*”; the second stage of “*development and expansion*”; the third stage of “*institutionalization*” and a fourth and, final stage

of “*maturity*”. Thus, in order to provide a simplified approach of the above concepts, the evolution of CSED theories can be classified in three key phases: (i) starting and growth; (ii) crystallization and (iii) expansion and prosperity.

2.2.1.1 Starting and Growth Phase: (Before 1950)

Carroll (1999) emphasised the “*footprints of CSER*” in the earlier literature, such as works by Adam Smith, which described self-interested human beings who live together peacefully in the moral and economic sphere (Brown & Forster, 2013). In fact the idea of CSER in its current form crystallized during the 1920s (Frederick, 1994). Its beginning was in 1919, in the United States, when the Ford Company decides, following a Supreme Court decision, to distribute all its profits to its shareholders rather than serving society (Hood, 1998b). This issue left a negative impression among the American public, which considered it to be an unjustified interference by the Supreme Court in internal company matters (Lantos, 2001; Henderson, 2007; Lee, 2008).

Public reaction towards organizations’ negative impact on society and particularly the working class led the Dean of Harvard Business School, Professor Wallace in 1929 in North Western University, to stress that the importance of business ethics and civil rights (Spector, 2008; BRASS, 2013). A review of the earlier CSER period, suggests there should be greater analysis of this critical period in the history of CSER; Gray et al (1995a) insist that “*it would be wrong to dismiss this literature as unimportant and inconclusive*” (p.51).

Although there is explicit attention paid to the idea of CSER in earlier literature, there is still a predominance of economic ideology on the organizations' targets, which focus only on maximizing profits without consideration of non-financial

responsibilities (Rahman, 2011). Hopkins (2006) argues that the common notion of CSER during that time was that it consumes firms' time their vital resources, and is also costly and not economically feasible.

However, the fact of the matter is that this dominant of economic ideology led to an evolution of the debate, across different time periods, with regard to the organization's responsibility. This debate centred on the question: is the responsibility of organizations in the first instance an economic or moral. It is therefore necessary to establish a starting point for the current notion of CSER. An analysis of 1950s studies contributed significantly in achieving this objective.

According to Bakker et al (2005) the 1950s is an ideal time period to review the history of CSR theories, because there are a lot of documentations on CSR. More specifically, the literature of CSR began to appear in the mid-20th century with the debate focused on whether an organization should engage in activities for public welfare (Baxi & Ray, 2009). Additionally, from this period, the notion of society's heightened sensitivity toward illegal business practices emerged (Moura-Leite & Padgett, 2011).

2.2.1.2 Crystallization Phase (1950-1970)

The second scenario in theoretical evolution emerged post-1950s, linked with the growing public debate over an organization's policy of engaging socially with its surrounding environment (Lee, 2008). In fact, the idea of CSER has gradually evolved through several attempts to regulate relationships between the corporate organization and its stakeholders (ibid).

These debates led to growing concern from stakeholders about the increase in social damage, should these companies continue to focus on their own

objectives. This concern has been reflected in the literature of CSR for more than three decades (Lantos, 2001), which explicitly or implicitly includes different theoretical perspectives and also highlights the opinions of supporters and opponents of the CSER phenomenon (Gray et al, 1995a; Garriga & Mele, 2004).

During the 1950s and 1960s, there were calls to review the idea of mutual benefit in the old classical economics (e.g. Bowen, 1953; Mills, 1956; Fredrick, 1960; McGuire, 1963; Davis & Blomstrom, 1966). These calls are centered on the idea of maximizing shareholder value; because of the belief that an increase in profits for the shareholders who have a stake in the firm may have an effect on non-financial aspects (Windsor, 2001; Burke & Logsdon, 1996). This idea could be understood to have provided an opportunity to break the dominance of the old economic ideology on organizations' activities.

For example, Bowen (1953) provided us with a new concept of corporate responsibility which contributed to a increase in the scope of corporate responsibility. In particular, Bowen (1953, p.6) has argued that corporate responsibility: "*refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of the society*".

The decade of the 1960s also saw further expansion of the conceptual basis of corporate responsibility in the earlier literature (e.g, Fredrick, 1960; McGuire, 1963; Davis & Blomstrom, 1966). One of the most important contributions to corporate responsibility during this decade was made by Davis (1960) when he argued that corporate responsibility is represented as a set of decisions and actions which can be taken to increase the economic value of a firm, or for other

interests. In this context, Parsons (1961) argues that successful organizations seek to maximise profits, while maintaining a good relationship with their political environment. Furthermore, McWilliams and Siegel (2001) argue that an investment in philanthropy and social activities is acceptable for the sake of maximizing profits. Therefore, we can say that this viewpoint relies on positive indicators between profitability and CSER activities, as suggested in several studies including for example, those conducted by Griffin and Mahon (1997), Roman et al (1999), and Rowley and Berman (2000).

From this perspective, some researchers have attempted to find justifications for company behaviours that have a tendency to focus on economic ideology. For example, Friedman (1970) emphasises the right of companies to achieve economic gains, but “*within basic rules of the society*” (p.33). Friedman's perception sheds new light on CSER concepts, because it takes into consideration the interests of both society and economic value (McWilliams & Siegel, 2001; Carroll & Shabana, 2010).

Admittedly, there was also an important role to be played in developing the level of stakeholders' awareness of issues relating to ethical conduct in the formulation of political-economic theory. This awareness creates a type of synergy between internal and external rights in an attempt to achieve an ideal distribution of wealth, so that they are suitable for all stakeholders and avoid the defects in the old economic theory that tend to focus on specific categories of stakeholders (Friedman, 1970; Davis, 1973; Gray et al 1987). Davis (1973) argues that the main reason behind the emergence of political-economic theory is the belief that the theoretical foundation of old economic theory hampers an organization's capacity to be more involved with their societies.

It could therefore be argued that, shortcomings in the scope of economic theory led to the breadth gap around ineffectiveness of economic ideology, because of the existence of severe limitations on adopting new dimensions related to CSER issues (Gray et al 1995; Mathews, 1993). Hence, a tendency to expansion in the economic dimension emerged, leaning towards meeting the needs of a wider range of stakeholders. This is known as *political-economic theory* (Gray et al, 1995a; Clarkson, 1995; Jamali & Marshak, 2007; Garriga & Mele, 2008). With regard to this tendency, Gray et al (1995a) argue that:

“CSR is generally predicated on a recognition that the economic (as represented by the financial) is only one element of organizational life and this needs to be (at a minimum) supplemented by or (preferably) interwoven with recognition of the social and political” (p.52).

2.2.1.3 Expansion and Prosperity Phase: (After 1970s)

The 1970s were termed the social responsiveness decade, characterised by a corporate response to urgent environmental issues, pressure from stakeholders and business crises (see: Greening & Gray, 1994; Carroll 1999; Lee 2008; Frederick 2008). Indeed, the emergence of corporate response during this period was originally in reaction to the socio-regulatory pressures that expanded public awareness of more corporate responsibilities such as: business ethics, community engagement and disclosure practices (Carroll, 1999). Thus, many firms in this period received significant demands from stakeholders in relation to non-financial activities, whether directly or indirectly (Garriga & Mele, 2004).

However, by the end of the 1970s, many researchers pointed out that, there was an expectation gap between a firm and its stakeholders regarding social responsibilities that resulted in increased levels of expectation and the decline of

social performance (see e.g. Davis, 1973; Abbott & Mosen, 1979; Carroll, 1979; GlobeScan, 2005). Garriga and Mele (2004) emphasised that in order to reduce this gap companies may need to focus more on their actual social practices rather than potential expectations of the stakeholders' needs.

At the start of the 1980s, the conceptual framework for CSER practices developed very well as a result of increased attention on how to build long term relationships between firms and their communities (Lee, 2008). Deegan and Gordon (1996) argue that one of the most important reasons among business corporations for creating a just society was through the adoption of the concept of legitimacy in social-regulatory relationships. Furthermore, Jackson (1983) believed that legitimate rights and mutual duties among stakeholders are the foundation for maintaining such relationships.

This period was therefore termed the social power of stakeholders, in addition to their powers of accountability (ibid). CSER theories have subsequently expanded to include the interaction and connection between business and society, as well as an emphasis on the inherent responsibilities of a business towards more philanthropic activities and community relations (Frederick, 1994; Swanson, 1999; Garriga & Mele, 2004).

It should be noted that, during this phase new ideas related to CSER practices appeared, which included: enlightened self-interest⁴, corporate social rectitude and the social contract⁵ (Carroll, 1999; Bakker et, al 2005; Deegan, 2007). The concept of social responsibility also expanded significantly to include

⁴ Enlightened self-interest is a philosophy in ethics which states that persons act to further the interests of others (Carroll, 1999).

⁵ The social contract is defined as the multitude of implicit and explicit expectations that society has about how an organisation should conduct its operations (Deegan, 2007).

environmental protection within its interests and responsibilities, and this was reflected in some researchers to include the term of environmental sustainability within the CSR practices in their research (Gray et al, 1987; Epstein, 1987).

The 1990s was more typical than the previous one in the evolution of CSER notion, where more emphasis was given to social considerations and political analysis for acceptance of companies into the community and surrounding environment, and investigation of some terms related to these considerations, such as: corporate citizenship and stakeholder management (Garriga & Mele, 2004; Lee, 2008).

There was also much consideration of social consciousness, stakeholder rights, accountabilities, and community involvement. Studies such as those conducted by Carroll (1991), Epstein and Freedman (1994), Gray et al (1995a), Deegan and Gordon (1996), and Hackston and Milne (1996) are examples among many which attempted to address these issues during this period.

Carroll's studies (1979:1991:1999) represented a clear step forward in tracing the developmental path of CSER activities. Specifically, Carroll categorises corporate responsibilities into four dimensions: Economic, Legal, Moral, and Philanthropic Responsibilities. Carroll's studies have also contributed to the consolidation of social theories, based on the belief that firms are responsible to a wider group of stakeholders rather than just their shareholders (Carroll, 1999).

Recently, the concept of CSER theories has become clearer in theoretical scope to measure and interpret corporate commitment towards its society and stakeholder groups, or even towards a firm's rights and legitimacy (Andriof & McIntosh, 2001; Matten & Crane, 2007; Lee, 2008).

Having identified the evolution of the ideas behind CSED theories within the literature, the main theories on CSED practices are reviewed in the next section in order to better understand such practices within a more systems-oriented view of the organisation and society in the context of Jordan.

2.2.2 General View of CSED Theories

Theoretical frameworks underpinning the literature of social accounting have provided a vast number of CSER theories; however, reviewing pertinent previous literature reveals that, “*Political-economy*”, “*Legitimacy*”, “*Accountability*” and “*Stakeholder theory*” are the most complete theoretical perspectives relevant to CSER disclosures (Gray et al 1996; Williams, 1999; Deegan, 2002; Huang & Kung, 2010). These are consistent with the main purpose of this study, which aims to analyse CSED practices in Jordan; this section shall focus on reviewing the relevant theories.

2.2.2.1 Political-Economy Theory

According to Gray et al (1995a) political-economy theory has a very long history of philosophical conflicts over the concept of power and economic interests. However, it has been widely used to understand multiple interactions between economics on one side and law, politics, property rights, government and national wealth on the other.

Under such multiple interactions, political economy theory has also been applied within accounting literature as a philosophical approach to justify corporate behaviour towards CSED practices (Ince, 1988). In fact, the conceptual framework of this theory was derived from the works of J.S.Mill and his

students, where they adopted a more favourable view of the distribution of wealth and power (Vallier, 2010).

The core idea of political economy theory lies in the process of multiple interaction between the economic and socio-political contexts, which basically seeks through this interaction, to remove internal conflicts of power and wealth within the state (Gray et al, 1996). Deegan (2002) confirmed that the political and economic contexts within society are inseparable, and none can be considered without the others. Similarly, it is argued that both politics and economics are principally concerned with organising community activities, rationalising resources and managing conflicts within society in order to promote the principles of social justice (Clark, 1998).

From this perspective, political economy can be defined as a set of “*the social, political and economic frameworks within which human life takes place*” (Gray et al, 1996, p.47). Furthermore, it is also defined by Jackson (1983) as: *the study of the interplay of power, the goals of power wielders and the productive exchange system. As a framework, political economy does not concentrate exclusively on market exchanges. Rather it first of all analyses exchanges in whatever institutional framework they occur and, second, analyses the relationships between social institutions such as government, law and property rights, each fortified by power and the economy, i.e. the system of producing and exchanging goods and services*” (cited in Gray et al 1995a, p.52)

Gray et al (1996) classify political economy theory into two approaches: classical and bourgeois. The world is essentially perceived as pluralistic under the bourgeois political economy (Gray et al, 1995a). Gray et al (1995a) noted that

this approach ignores sectional interests, structural inequity, conflict and the role of the state. Similarly Clark (1991), cited in Williams (1999), points out that bourgeois political economy focuses on the interactions of actors in a pluralistic world. On the other hand, the classical political economy placed “*structural conflict, power inequality and the role of the state*” at the heart of its analysis, and therefore it concentrates on the way that relative differences in power and wealth are generated and maintained (Lu & Abeysekera, 2014, p.57).

Indeed, bourgeois political economy theory assumes that the socio-political environment could affect various relationships with others both directly and indirectly (Williams, 1999). Specifically, Williams (1999) argues that in order to preserve these relationships a number of different individuals, institutions and organizations seek to operate within the social system through various relationships with others. In other words, the bourgeois theory stresses that these individuals or institutions or organizations, in pursuing their rightful goals and self-interests, are however moderated by the social environment in which they are present (Gray et al 1996; Williams 1999).

Within the bourgeois approach it is argued that in addition to the above organizational roles the role of government is also considered a key element in managing any potential conflicts of interest (Clark, 1998). According to this aspect of political-economy theory, government plays an important role in safeguarding the interests of individuals seeking to achieve their objectives, and government intervention is important in the event of market failure. As observed by Gray et al (1995a), if the activities of the organization intrude on, or are perceived to affect the wider community, the government may intervene in order to protect individual rights within that community.

Guthrie and Parker (1990) however, argue that such intervention could put at risk the self-interest and goals of the enterprise, and therefore, to avoid such government interventions, organizations tend to provide social and economic information which serves the interests of the stakeholders. Epstein and Freedman (1994, p.95) argue that these: “*social disclosures can be seen as furthering the self-interest of the corporation*”. However, Deegan (2006) states that, within the classical political-economy theory, CSED is viewed as a way to preserve the position of those who have power and undermine those who do not, without focusing on the structural conflicts within society.

The core idea of political-economy theory assumes that the economic framework cannot be studied in isolation from the political, social and institutional contexts. Therefore, on the basis of this idea, companies may need to provide information on the socio-political and economic dimensions of their business, in order to protect their self-interest and to manage any potential conflicts of interest (Guthrie & Parker, 1990). For this reason, it is argued that conflicts of corporate interest can be managed by legitimising operations and by portraying a socially responsible image, as well as providing a way to avoid further regulatory pressures (Guthrie & Parker, 1989; Adams et al, 1998).

From this perspective, it could be argued that, both the legitimacy and stakeholder theories have emerged as more acceptable in explaining the practices of CSED, as outlined below.

2.2.2.2 Legitimacy Theory

Tyler (2006) describes legitimacy as:

“...the characteristic of being legitimised by being placed within a framework through which something...is viewed as right and proper” (p.376)

Because of the importance of this attribute, a number of studies have adopted a theory of legitimacy within the scope of social accounting as a basis to explain the practices of CSED (e.g. Guthrie & Parker, 1989; Patten, 1992; Gray et al, 1995a; Adams et al, 1998; Gray et al, 2001; Ogden & Clarke, 2005).

Hooghiemstra (2000) states that:

“Legitimacy theory is the most widely used framework to explain disclosures with regard to the environmental and social behaviour of organisations” (p.57)

To give a clearer picture of how legitimacy influences corporate environmental and social behaviour, it could be argued that this theory assumes that corporations are social bodies and that their existence depends on the extent of the firm's compliance with the social contract (Deegan, 2007). This basically means that the greater the probability of an adverse variation in societal expectations of the way an organisation act, the greater the desire of this organisation to change these adverse views in order to ensure their legitimacy (Branco & Rodrigues, 2006).

In light of this view, two main approaches have been identified within accounting literature as strategic objectives for gaining, maintaining or repairing legitimacy (Lindblom, 1994; O'Donovan, 2002). First, ensuring that activities of the organisation are in congruence with societal expectations and perceptions;

and second, disclosing the activities of the organisation as being in congruence with societal expectations (Gray et al, 1995a).

It could therefore be argued that legitimacy theory has been articulated in support of the idea that companies should operate within the norms of acceptable behaviour in the social system, as well as, to drive these companies to engage socially in more non-financial activities in their surrounding environment. Accordingly, legitimacy theory posits that businesses operate through a social contract between themselves and society, and the continued survival and success of such a business will depend on how that business legitimises its operations in the eyes of the public (Guthrie & Parker, 1989).

As a consequence, any subsequent continuation of business trespasses becomes an explicit threat to society, which may lead to revocation of the social contract (Guthrie & Parker, 1989). It could be argued that corporate bodies always seek to operate within the bounds of their respective societies and always strive to be perceived as being legitimate (Deegan et al, 2000). Therefore, this theory predicts that companies adopt non-financial disclosure to avoid possible loss of their license to operate in society and to meet the expectations of that society. Corporate non-financial disclosure can thus be seen as a corporate management strategy to clarify that activities and operations are socially responsible (Patten, 1992; Deegan & Rankin, 1996; Deegan, 2000; O'Donovan, 2002).

In the broadest sense, CSED practices under this theory are viewed as a proactive process of voluntary information provided in order to gain approval from stakeholders, or to avoid being charged with a violation of the boundary that has been set by societal norms (Gray et al, 1996).

Although legitimacy theory is seen as important in maintaining the legitimacy of corporate behaviour; there have been a number of criticisms directed at this theory. For instance, Gray et al (1995a) and Deegan (2002) argued that legitimacy theory overlaps with political economy theory, which is because it is based on the assumption that positive CSER behaviors will ultimately lead to achieve greater economic benefits. In addition, *“legitimacy theory has been criticised for lacking specificity, and it has doubts about its ability to anticipate and explain managerial behaviour”* (Parker, 2005 as cited in Aribi, 2010, p.55). Additionally, several studies such those conducted by Donaldson and Preston (1995), Gray et al (1996) and O’Donovan (2002) argue that, legitimacy theory can be considered a key part of the conceptual framework of stakeholder theory. Some critics go further, calling upon the concept of accountability as an alternative to legitimacy theory (Dobbs & van Staden, 2012), as discussed below.

2.2.2.3 Accountability Theory

According to Gray et al (1996) accountability can be defined as a *“duty to provide an account or reckoning of those actions for which one is held responsible”* (p.38). In the same vein, Hassan (2012) describes accountability as the art of taking responsibility for one’s action or inaction, and communicating so to those affected by such actions. As noted by Medawar (1978), accountability in the business environment is defined as an organisational obligation to account for its activities, which stems from a sense of responsibility and the need to justify their action to others.

However, Cooper and Owen (2007) argue that this sense of guilt or responsibility for irresponsible operations is inadequate, where organisations need to be forced

to explain and justify their responsibilities. Deegan and Unerman (2006) hold the opinion that the theory of accountability is based on the view that stakeholders have fundamental rights that cannot be violated, which extends to their right to information about how the organisation's activities and decisions impact on them (ibid).

Accordingly, CSED under this approach can be seen as a mechanism for revealing a firms' degree of responsibility to inform a wide variety of stakeholders regarding its social and environmental impact (Gray et al, 1996; Adams, 2004; O'Dwyer et al, 2005b). Therefore, it can be understood that the accountability theory also attempts to justify the nature of corporate practices that fall within the scope of non-financial reporting obligations.

Gray et al (1996) stress that; accountability enables organisations to discharge their internal and external responsibilities towards improving the transparency of corporate social reporting. As such, Hopwood (2009) argued that, reporting on the environmental impacts resulting from a firm's policies, decisions, activities and actions based on accountability theory can be used to increase the company's legitimacy, as well as to reduce conflicts of interests between internal and external stakeholders.

However Gray et al (1987) acknowledge that corporate management may not be interested in expanding the level of accountability regarding their activities. Similarly, internal stakeholders may not be interested in diluting management accountability with external who are more stakeholders interested in social and environmental issues.

It could then be argued that, accountability theory does not support the trends of the internal stakeholders in general, and the company's management in particular. A number of studies, like (Donaldson & Preston, 1995; Mitchell et al, 1997; Rowley, 1997; Clarkson 1995; Unerman & Bennett 2004), state that stakeholder theory can be used to meet the different expectations of stakeholders, whether internal or external, and to offer a better explanation of accountability to all corporate activities.

2.2.2.4 Stakeholder Theory

Stakeholder theory is one of most prominent issues related to a firm's strategic management of CSER practices (Freeman, 1983). It seeks to explain organisational relationships and socio-regulatory interactions which are intertwined with the external and internal environment of companies (Preston & Sapienza, 1990). Clarkson (1995) and Rowley (1997) argue that the evolution of stakeholder theory centred around two issues: firstly, identifying the conceptual framework of stakeholder theory; and secondly, classifying stakeholders into categories according to their power in influencing corporate decision making.

In order therefore to address the importance of socio-organizational relationships in explaining corporate behaviour towards CSER disclosures as discussed by Clarkson (1995) and Rowley (1997); the principal idea of stakeholder theory needs to be described (Mitchell et al, 1997; Berman et al, 1999; Friedman & Miles, 2006; Clarkson et al. 2008). Therefore, this section will focus on the evolution of the conceptual framework of this theory, through reviewing the relevant contributions of researchers in identifying the nature of relationships between a firm and its stakeholders.

It is claimed that the core idea of the stakeholder approach is based on the concept of the social contract, which focuses on the transition from shareholder concept to stakeholder (Freeman, 1983). In the same vein, Preston and Sapienza (1990) argue that stakeholder theory is centered on how to understand and explain organisational behaviours that recognise other claimants' rights in their environments, unlike the idea of the traditional stock-holders, which allows managers only to serve the interests of their business owners/ investors.

Indeed, several studies have attempted to clarify whom and what constitutes stakeholders. For instance, research suggests that the term “stakeholder” appeared for the first time in 1963, specifically in an internal memorandum at the Stanford Research Institute (SRI). It was defined as: *“those groups without whose support the organization would cease to exist”* (Freeman, 1983, p.89).

Hill and Jones (1992) presented the concept of a stakeholder as those who hold a legitimate claim on the firm, where this definition refers to the legitimate demands, and includes rights and commitments between the firm and its stakeholders through the existence of a mutual relationship. This relationship has been clearly defined by Gray et al (1996), as a human agency that can be influenced by, or can itself influence, the activities of the organization.

More so, Evan and Freeman (1988), cited in Langtry (1994, p.79), describe stakeholder groups as:

“Those groups who have a stake in or a claim on the firm, specifically...suppliers, customers, employees, shareholders and the local community, as well as management in its role as agent for these groups”

Taking this into consideration, it could be argued that firms, through their interactions with both internal and external stakeholders, seek to satisfy various demands and expectations of all these groups in exchange for granting legitimacy to their existence (Donaldson & Preston, 1995). Harrison and Freeman (1999) argue that the main idea driving stakeholder theory is an effort to integrate economic and social needs of businesses.

An obvious advantage of this theory is that it can be used as a consistent means of dealing with the needs of multiple stakeholders with multiple conflicting interests (Abu-Raya, 2012). In other words, stakeholder theory provides a useful framework to manage the organizational relationships between different stakeholders that affect or are affected by its business decisions (Freeman, 1984).

However, despite this advantage, two different perspectives have been identified in the context of CSER research regarding what motivates corporations to manage such relationships (Freeman, 1983; Donaldson & Preston, 1995; Gray et al, 1996; Berman et al 1999; Deegan, 2000), which can be defined as, (i) instrumental, and (ii) normative (Abu-Raya, 2012).

The instrumental perspective is seen as an attempt to *“describe existing situations or predict cause-effect relationships; it also recommends attitudes, structures and practices that, taken together, constitute stakeholder management”* (Donaldson & Preston, 1995, p.67).

Consistent with the instrumental perspective, it is argued that organizations may seek to satisfy the needs and expectations of their stakeholders who have the capacity to manipulate and control how companies carry out their decisions, actions and ultimately their licence to operate (Wilson, 1997; Deegan, 2002).

Parker (2005) argues that this approach mirrors the integration of social responsibility into an organisation's corporate planning framework, which meets the approval of the primary stakeholders equally in terms of its social and environmental responsibilities.

CSED practices can therefore be seen, within the instrumental approaches, as part of the dialogue between the organization and its stakeholders (Gray et al, 1995a). Hence, such disclosure is regarded as a means by which stakeholders' support and approval for the organization's continued existence can be gained, as well as a way to distract stakeholders' opposition and disapproval (Ullmann, 1985; Gray et al, 1996; Deegan, 2002). Gray et al (1995b) argue that:

“The corporation's continued existence requires the support of the stakeholders and their approval must be sought and the activities of the corporation adjusted to gain that approval. The more powerful the stakeholders, the more the company must adapt, social disclosure is thus seen as part of the dialogue between the company and its stakeholders” (p.53).

CSED practices can thus be considered as a useful way of improving social integration between a firm and its direct stakeholders, considering that the basis of this perspective is that those primary groups have the ability to grant the firm legitimacy and survival in return for implementation of their demands (Donaldson & Preston, 1995). However, it has also been argued that expanding the scope of corporate interactions with stakeholders can be extremely useful in increasing stability in the operating environment (Freeman, 1984; Gray et al, 1996).

However, viewing social interactions from a managerial perspective led Mitchell et al (1997) and Smith et al (2005) to argue that the instrumental perspective of stakeholder theory is an attempt to extend the management's vision of its roles

and responsibilities to embrace interests of non-stockholding groups, aside from the natural profit maximization functions. Therefore expanding the scope of corporate interactions with its stakeholders may in fact be more useful in increasing stability within its operating environment (Freeman, 1984; Gray et al, 1996).

Consequently, an urgent need has emerged to build more effective relationships between firms and stakeholders through the establishment of mutual dialogues, relating to both social and environmental issues and their connection to the companies' survival (Ullmann, 1985; Roberts, 1992; Gray et al, 1995a; Gray et al 1996; Berman et al, 1999; Huang & Kung, 2010). Based on this view, it could be argued that the normative perspective is the second theoretical approach of stakeholder theory in explaining corporate behaviour towards CSED practices.

The normative perspective assumes that stakeholders have certain basic rights that must not be violated and should be met regardless of the level of power and influence of the stakeholders involved (Gray et al, 1996; Deegan, 2000). It can be understood that this perspective relies on the philosophical framework that calls for equal treatment of all stakeholders, irrespective of differences in levels of contribution (Solomon & Lewis, 2002; Marcoux, 2003), through balancing all stakeholder interests (Nadler & Tushman, 1997).

This perspective is focused on the premise that the behaviour of various stakeholder groups encourages corporate bodies to align as closely as possible the interests of stakeholders within their environment (Aribi, 2009). The constituency of a company includes persons or groups that can affect or are affected by the achievement of the organisation's objectives (Freeman, 1984).

Stakeholder groups therefore include managers, customers, suppliers, employees, communities, creditors, government and the general public (Smith et al, 2005).

Accordingly, and consistent with the assumed social contract, all stakeholders have the right to be provided with relevant information about the impact the organisation has on them, regardless of whether or not such information might be used (Gray et al, 1987; Adler & Milne, 1997; Deegan, 2000).

With respect to both instrumental and normative perspectives, Roberts (1992) asserts that, within CSED stakeholder theory is one of the most successful means of interpreting and negotiating these relationships between internal and external parties. Similarly, Gray et al (1995) and Deegan (2002) have argued that stakeholder theory is supportive of corporate voluntary disclosure (Aribi, 2009). It could therefore be claimed that as stakeholder theory has a wider scope, covering all the stakeholder perspectives, whether internal or external, it is likely to assist in explaining corporate behaviour towards CSED practices.

Consistent with above, it could be argued that stakeholder theory has a wider scope that covers all the perspectives of the stakeholder. It could thus be used as a useful means of understanding and explaining changes in corporate behaviours that recognises other claimants than the traditional stockholders theory. Based on this argument, one might also argue that stakeholder theory can be used as a theoretical framework to illustrate the scope of corporate social and environmental reporting in Jordan. As such, it is of paramount importance to articulate what constitutes CSER information. Thus, the following section is devoted to discussing the nature and the scope of this information.

2.2.3 Overview of Prior CSED Studies

The last three decades saw the emergence of the so-called *green revolution* beginning during the 1980s, which motivated scholars to conduct more analytical studies in order to ascertain factors that influenced CSED practices (Hassan, 2010). The increase in studies that attempted to analyse the determinants of CSED practices are in fact a result of the ethical and environmental issues arising from corporate activities (Gray et al 2001). Belal (1999) argued that recent philosophical discussions over the use of CSER theories contributed to a qualitative leap in empirical CSED studies in terms of size and quality.

Despite the fact that there are increasing global studies on CSED practices, there are claims of a wide gap in the level and quality of CSED studies between developed and developing countries (e.g. Hanafi, 2006; Eljayash et al, 2012; Aldrugi & Abdo, 2014). Hackston and Milne (1996) argue that developed countries, and especially the US, Europe and Australia, dominate the rest of the world. Momin (2006, p.69) states that developed countries have a greater presence within the field of CSER disclosures than developing countries and that *“it would seem European countries lead the way”*.

The majority of CSED studies in developed countries have focused on analysing and exploring the determinants and motivations behind CSER disclosures, and measuring the levels of disclosure (Belal & Owen 2007; Islam & Deegan, 2008). Examples of CSED studies in developed markets include: Cowen et al (1987), Patten (1992) and Epstein & Freedman (1994) in the US. Harte & Owen (1991), Gray et al (1995), Friedman & Miles (2001), Gray et al (2001), Idowu & Towler (2004) and Brammer & Pavelin (2006) in the UK. Trotman (1979), Guthrie &

Parker (1989), Hackston & Milne (1996) and Deegan (2002) have conducted similar research in Australia. As have O'Dwyer (2002), O'Dwyer et al (2005) and Adams et al (1998) in European countries. In Canada work has been published by Zeghal & Ahmed (1990) and Cormier & Gordon (2001) furthermore, a number of international comparative studies such as those by Guthrie & Parker (1990), Meek et al (1995), Adams & Kuasirikun (2000), Smith et al (2005) and Silberhorn & Warren (2007) have also been carried out.

In contrast, there are few previous studies in developing countries, which have analysed the levels of CSED during the 1980s-1990s. Elmogla (2009) asserts that, the majority of CSED studies carried out in the 20th century focused on India, Malaysia and Bangladesh. In this regard, Belal and Momin (2009) write that in *“1983 the first study on CSER in an emerging economy (India) was published”* (p.119).

However, by the end of the 20th century CSED studies in developing countries were becoming more widespread. Consequently, Ali and Rizwan (2013) argue that there are now satisfactory levels of research, for example: Singh & Ahuja (1983), Hegde et al (1997), Narwal (2007) and Gautam & Singh (2010) in India; Imam (2000), Belal (2001), Belal & Owen (2007), Islam & Deegan (2008) and Abu-Sufian (2012) in Bangladesh. Teoh & Thong (1984), Andrew et al (1989), Haniffa & Cooke (2005), Ghazali (2007) and Said et al (2011) in Malaysia. However, in the context of Jordan, there were only two studies that had investigated the practices of CSED and those by Abu-Baker (2000), Abu-Baker and Naser (2000) and Ismail & Ibrahim (2009).

A range of empirical studies have been carried out by scholars to ascertain the level of CSED practices using varying theoretical and methodological frameworks. For instance, using legitimacy theory, Guthrie and Parker (1989) examined the historical analysis of the level of CSD patterns over a period of 100 years (1885-1985) by analysing the content of annual reports on the themes of environmental, energy, human resources, products, and community involvement. Their findings indicated the inability of legitimacy theory to explain CSD practices by a company, and thus, Guthrie and Parker (1989) concluded that:

“...this historical case study has failed to confirm legitimacy theory as an explanation of BHP's CSER over time” (p.350).

Moreover, Guthrie and Parker (ibid) added that:

“Indeed the company's tendency towards little or no reporting at sometimes is inconsistent with a legitimacy theory of management reporting information in an attempt to legitimise its actions in the perceptions of employees, government and the public” (p.351).

In another study, Guthrie and Parker (1990) used political-economy theory to explore the level of CSD patterns and the location of such information by sampling 150 companies operating in the UK, US and Australia. They found that patterns of CSD concentrated on the following themes: human resources 40%; community involvement 31%; environment 13%; energy and products 7%. With regard to the location of CSD, they found that directors' reports were the dominant location for CSD in the UK and the US, while in Australia companies used a separate report to document CSD practices. With respect to the level of CSD patterns, the results also showed that the average numbers of pages in annual reports were 1.26 in the US, 0.89 in the UK and 0.70 in Australia. Guthrie and Parker (1990) also reported that the differences in the levels of CSD practices among population of the study could in fact be attributed to the

differences in public demand and need for CSR information across these countries, which were 98%, 85% and 56% respectively. However, it is argued by Epstein and Freedman (1994) that:

“The problem with the political economy approach is that it does not explain why a company, for example, may make disclosures about pollution and not about worker safety” (p.95)

Deegan (2000) also contends that using the political-economy theory as a separate approach to stakeholders' needs would be incorrect. As such, the theoretical framework should take into account all stakeholder needs regarding financial and non-financial information in order to maintain a good relationship between firms and their stakeholders (Roberts, 1992). Gray et al (1995a) noted that in relation to support of CSER disclosures in light of stakeholder theory, CSED is a strategy used by organizations to meet the needs of stakeholders for social and environmental information, and to avoid conflict between them.

Considering the nature of this study, that aims to understand the level of CSED practices and analyse stakeholders' perceptions about such practices; it does not seek to support or refute the theoretical framework of any previous studies. However, it does aim to provide an adequate basis by which to explain the practices of CSED in the annual reports of industrial firms operating in Jordan. As a consequence, this study adopts a stakeholder theory instead of political economy or legitimacy theory, due to their various shortcomings as cited above by Guthrie and Parker (1989), Epstein and Friedman (1994) and Deegan (2000). Thus, based on the discussion above, the broad research question to be raised here is: **What is the level of CSED in the annual reports of industrial companies operating in Jordan?**

Gray et al (1995a) in their study of CSED conducted within the context of stakeholder, legitimacy and political-economy theories, described CSED in the UK practices over a period of 13 years. The researchers used content analysis to identify the patterns of corporate non-financial disclosure, particularly in information related to the activities of the companies' employees, community, energy, customers and environment. The results showed an increase in the patterns of CSED regarding employee activities, followed by disclosure relating to community and environmental issues, while the disclosure of energy information was the lowest CSED pattern.

Rizk et al (2008) examined the level of CSED information of 60 annual reports of Egyptian industrial listed firms in 2002 by using a disclosure index of 34 items, covering environmental, energy, human resources, customer and society issues. They found that human resource information dominated the majority of the industrial sector followed by environmental and community information, whilst the consumers and product information ranked lowest.

Obviously, these results indicate an implicit consistency with the results of Gray et al (1995) and Hackston and Milne (1996). Specifically this shows that the highest levels of disclosure patterns are regarding human resources. But this consistency is not reflected in Epstein and Freedman's (1994) study, which found that information related to human resources, was the least populated among CSD patterns.

Elmogla (2009) found that the most disclosed theme in the social category of Libyan firms' annual reports is employees with only 9.2% of the sample making any environmental disclosures. Additionally, Trotman (1979) found that social

disclosure had increased with human resources and the environment as the most frequently mentioned theme (rising from 8 pages in 1967 to 57 pages in 1977).

In Jordan, Abu-Baker and Naser (2000) used content analysis to examine the level of CSED in 143 annual reports of Jordanian companies listed in the ASE. Results from this study indicated that the level of CSD in Jordan was very low, which is consistent with previous studies on developing countries (Teoh & Thong, 1984; Andrew et al, 1989). The predominant themes of CSD amongst the studied companies were human resources and community involvement.

Hossain et al (2006) used disclosure indexes to investigate the level and nature of CSED in annual reports and examined the relationship between CSED and corporate attributes of 107 listed companies in Bangladesh. The results showed that CSED averaged 8.3% of corporate annual reports. In this regard, Hossain et al (2006) added that:

“The disclosure of environmental information made by the listed companies in their corporate annual reports in Bangladesh is very disappointing” (p.10)

In Bangladesh, Imam (2000) examined patterns and percentage of CSED in annual reports for the period 1996-1997 by conducting surveys of the actual reporting practices of 40 companies listed on the Dhaka Stock Exchange. The study reported that all companies included in the survey provided information in the areas of “human resource”, “community”, “environment”, and “consumer information”, of 100%, 25%, 22.5%, and 10%, respectively. The study concluded that the disclosure level was very poor and was in fact inadequate regarding social and environmental activities and consumer issues, except with regard to human resources. However, Belal (2001) also argues that:

“One of the major limitations of this study is that it failed to locate the social disclosures in Bangladesh in its broader socio-political and economic context” (p.4)

It should be noted that results from these studies and others (e.g. Teoh & Thong, 1984, Andrew et al 1989; Imam 2000, Hanafi, 2006 and Elmogla, 2009) in developing countries are consistent with Trotman (1979), Guthrie and Parker (1990), Gray et al (1995a), and Hackston and Milne (1996) regarding the dominance of human resources disclosures. However, the results are inconsistent with Branco and Rodrigues (2008) which found “environmental information” was the predominantly reported category.

Belal (2001) also investigated the level of CSD practices in companies listed on Dhaka Stock Exchange by using content analysis. Belal (2001) found both that the level of corporate social disclosure was very low and that it was of a descriptive nature in general. This is consistent with Rizk et al (2008) and Salama (2009) who also found that the level of CSER disclosure was relatively low in corporate annual reports in Egypt. Several CSER studies such as those conducted by Belal (2001), Jahamani (2003), Hossain et al (2006), Elmogla (2009), Uwuigbe et al (2011), Eljayash et al (2012), and Chek et al (2013), also indicated also that the level of CSED practices has not yet been developed in their countries.

Yet conversely, other studies such as those conducted by KPMG (2011) and Saat et al (2009) have found that the level of CSER disclosure is high. For example, in an international study conducted by KPMG (2011) in the 8 EU countries, it was found that the level of CSR disclosures by European companies is high; specifically, the level of disclosure of CSR information was 100% in the UK,

94% in France, 62% in Germany, 64% in Switzerland, 72% in Sweden, 82% in the Netherlands, 88% in Spain, and 74% in Italy.

These differences in the level of CSED support the recommendation made by Adams et al (1998) and Aldrugi and Abdo (2014) regarding the need for further research on CSED, to identify the factors and motives behind these differences. The above discussion therefore prompted the main research question regarding the level of CSED practices of Jordanian firms; which is specifically: **What are the patterns of CSED in the annual reports of industrial companies operating in Jordan?**

Having reviewed the most relevant literature on CSED practices, Table 2.1 summarises the results of many studies that might be related to this area, in order to provide further evidence regarding the most effective way to examine the level of CSED practices in Jordan.

Table 2-1 Summary of previous empirical CSED studies

Author(s)	Samples	Method	Main Result
Ernst & Ernst (1978)	500 firms	Content analysis	Environmental information is found to be the most disclosed by 78% followed by patterns of fair practices, community involvement, energy issues, human resources, products and other information (77%, 72%, 67%, 60%, 37% & 24%).
Trotman (1979)	100 largest firms	Content analysis	The researcher found that corporate social and environmental disclosure had increased with human resources and environment as the most frequently mentioned themes (0.8 pages in 1967 to 0.57 pages in 1977).
Trotman & Bradley (1981)	207 firms	Content analysis	There is a positive association between the size of the company and social pressure and the management's horizon are the important factors that can be effect the level of CSED practices. In addition, the relationship between systematic risk and the level of disclosure was not significant.
Singh & Ahuja (1983)	N/A	Disclosure Index	Industry type had a significant effect on the extent of corporate social disclosure. The results also show that the manufacturing companies' make more disclosure about CSER than the service companies did.
Cowen et al (1987)	134 firms	Content analysis	It was found that firm size and industry category are associated with certain types of disclosures while the existence of a CSER committee appears to correlate with one particular type of disclosure.
Roberts (1992)	Articles (1988-92)	N/A	The researcher found that there are positive associations between type of industry, profits and leverage of the firm on the level of CSD; however, there is no a relationship between company size and CSD
Epstein & Freedman (1994)	300 investors	Statistical Regression	The results showed that, investors still have an interest in receiving CSER information through their annual reports, product safety and quality was also the most important information according to respondents.
Gamble et al (1995)	234 firms	N/A	It was found that CED in the annual reports has significantly increased since 1989. Additionally, a relationship exists between type of industry and level of CED, which means that that the environmentally sensitive companies are more informative than others

Gray et al (1995a)	100 firms	Content analysis	They found a positive effect of the corporate characteristics (company size, industry, and country of ownership, reporting country, capital intensity, senior executive attitudes, company age, and a CSER committee on the level of CSED. There is no positive relation with the profitability of firms.
Hackston & Milne (1996)	47 firms	Content analysis	The results showed a significant association between the amounts of CSR disclosure with the firm size and type of industry, while the corporate profitability is not significant for such practices.
Deegan & Gordon (1996)	197 firms	Content analysis & questionnaire	The CED in Australia is usually self-laudatory, while the negative of environmental discloser is low. There is a positive relationship between environmental sensitivity and the level of CED, and there is a positive correlation between CED and firm size.
Deegan & Rankin (1996)	(1990-93) all Australia firms	Content analysis & questionnaire	The results showed an increase in the amount and level of environmental disclosure in Australian firms; results also indicate that there is link between level of disclosure and both environmental sensitivity and company size.
Adams et al (1998)	150 annual reports	Content analysis	The results showed a relationship between the firm's characteristics (size, industrial grouping and country of domicile) and CSED. But variations between countries are much more complex.
Alnajjar (2000)	500 Annual reports	Content analysis	The researcher found evidence of highly significant effect of profitability on total disclosure and that total disclosure is a function of corporate size.
Gray et al (2001)	100 firms	Content analysis	There is a stable relationship between disclosure and corporate characteristics, however, the results show that corporate social and environmental disclosures are directly related to size, profit and type of industry.
Cormier & Gordan (2001)	Case study	Disclosure Index	It was found that there is a difference in the level of CSED linked with the type of firms' ownership; researchers concluded that CSED is higher in public companies than private.
O'Dwyer (2002)	29 manager	Interviews	The managerial perceptions indicated that the motives for CSD may occasionally form part of a legitimacy process, ultimately this is misguided as it is widely perceived as being incapable of supporting the achievement of a legitimacy

Deegan (2002)	NA	NA	Deegan indicates that, there can be many motivations for managers to provide a CSER report. But in this study he found the motivation of CSD might be a desire to legitimise certain aspects of an organisation's operations.
Idowu & Towler (2004)	30 manager	interviews	The researchers observed that the CSED practices sometimes reflect a sophisticated and well-established system; sometimes it was as a brief mention for some CSER activities. It also found that firms have adopted two ways to disclose CSER activities; (i) a separate report; (ii) a separate section.
Brammer & Pavelin (2004)	134 firms	Content analysis	It was found that the general tendency for larger firms to be more socially responsive than smaller firms. Larger firms would be more susceptible to public scrutiny because they have more and larger stakeholder groups,
O'Dwyer et al (2005)	53 NOGs	Questionnaire	There was an improvement of the CSED practices associated with increased pressures from non-governmental organizations. They also found that engagement of non-government organizations with the CSER practices may help to improve the quality and quantity of social and environmental information.
Smith et al (2005)	32 Norwegian/ Denmark firms & 26 US firms	Content analysis	Firms from countries with strong emphasis on CSD in Norwegian/Denmark had a stakeholder orientation & thus higher levels of CSD than firms from countries with weaker emphasis on CSD in US & thus a shareholder orientation, which was more clearly seen in the large firms than medium & small size companies. The most disclosure by Norwegian/Danish firms was about the environment
Naser et al (2006)	21 annual reports	Disclosure index	There is a positive association between CSD and corporate size, leverage and corporate growth. There was also a positive but insignificant association with the size of government ownership, while, a negative but insignificant association appeared between the level of CSD and each level of dividend pay-out ratio.
Silberhorn & Warren (2007)	8 stake-holders	Interviews & Content analysis	CSER is presented as a good business strategy for corporate practices; however, there are differences in CSER practices between UK and German firms. They also found that the size of the company has an impact on corporate social responsibility practices
Belal & Owen (2007)	23 Senior managers	Interviews	The main motivation behind CSER practice lies in a desire on the part of corporate management to manage powerful stakeholder groups; it also seems that the pressure from external forces is considered as another motive for CSD

Rizk et al (2008)	60 companies	Disclosure index	In an Egyptian context, the level of CSER information disclosed is low. However, the results provide clear evidence that the type of industry and ownership structure is a statistically significant factor in relation to CSER disclosure.
Islam & Deegan (2008)	21 Senior executives	Interviews	The results show that the perception of stakeholder groups of CSD in the annual reports is a result of stakeholder pressure on Bangladeshi industries performance. This pressure is a driver of the industry's social policy regarding CSER.
Parsa & Kouhy (2008)	90 companies	Disclosure index	The medium-small sized companies report their social information in order to maintain favourable reputations with their stakeholders. There are also positive relationships between firm size and type of industry with CSER practices, but there is no relationship with the age of the company.
Hassan (2010)	654 firms	Regression	The findings showed that CSD is linked with a firm's size, industry, media pressure, board size, CSER committee and ownership diffusion, where these factors are more closely linked to the information quantity rather than the quality.
Hussainey et al (2011)	11 companies	Disclosure index	Company profitability is the key driver for Egyptian listed companies to disclose CSER information. However, the researchers found negative relationship between ownership structure, company size and CSER reporting decision.
Elsakit & Worthington (2012)	NA	Interviews	Findings showed the importance of the attitudes and behaviours between managers and other stakeholders towards more practices of CSED. The managerial perceptions can help to provide insights into the knowledge of the level of this disclosure
Lu & Abeysekera (2014)	100 firms in China	Disclosure index	Findings indicate that CSED practices have significant and positive associations with firm size, profitability, & type of industry. The roles of various powerful stakeholders in influencing CSED are found to be generally weak in China, except that shareholders have influenced CSED practices & creditors have influenced corporate reporting related to firms' environmental performance.

2.3 CSER; Identity and Identification

Corporate social and environmental responsibility (CSER) is not a new concept (Gray et al, 1996). Quite the opposite, in fact, it is the evolution of a set of concepts in the context of a relationship between businesses and their societies during a certain periods of time which has led to this comprehensive concept (Brooks, 2010).

Most early researchers tended to argue that there was significant interdependence and overlap between the concept of CSER and corporate philanthropy and moral values (Abbott & Monsen, 1979; Belkaoui, 1980). In actuality, the concept of CSER has embraced many issues relating to organizations' behaviours, such as: corporate accountability, corporate citizenship, business ethics, corporate environmental responsibility, sustainability, and corporate non-financial performance (Carroll 1999; Bakker et al 2005). More specifically, Silberhorn and Warren (2007, p.353) explained that:

“CSER is now a well-known expression for what, in the past, has been a collection of different and yet related terms: corporate philanthropy, corporate citizenship, business ethics, stakeholding, community involvement, corporate responsibility, socially responsible investment, sustainability, triple-bottom line, corporate accountability and corporate social performance”

Despite the diversity of CSER concepts in older literature, a number of previous literature documented that, all of these concepts reflect the same content involving a joint commitment of ethical practices towards the environment, society and multi-stakeholders (Marrewijk, 2003; Matten & Crane, 2005; Jenkins & Yakovleva, 2006; Silberhorn & Warren, 2007; Kuo et al 2012). Thus, the next section will examine these concepts of CSER in order to define a comprehensive concept in order to enhance the clarity of the research objectives.

2.3.1 Definition of CSER

Responsibility could simply be defined as a commitment between two or more parties based on mutual benefit. For example: responsibility exercised by parents towards their children, a teacher to his students, a doctor to his patients, a manager to the staff, and so on. The above responsibilities can be viewed as an aspect of ethics that make a person perceive that he/she has duty toward others (Helkama, 1981).

Corporate Responsibility (CR) is defined as a set of acceptable behaviours for different types of stakeholders, resulting from the company's sense of responsibility towards the impact of its operations on the society in which it operates (Waddock, 2003; Hohnen, 2007). Thus, the concept of CR can clearly be seen to be an implicit relationship between the organisation and its society, based on the moral commitment of the rights and duties granted to the stakeholders, whether internally or externally (Mitchell et al, 1997; Friedman & Miles, 2006). In the same vein, Pride and Ferrell (2006) argue that business responsibility is a set of “*principles and standards that define acceptable conduct in business as determined by various stakeholders*” (p.93).

In fact, it is documented that, CR is usually linked with ethical behaviour, through the descriptive aspect of accountability that refers to corporate actions [or inactions] that may have positive or negative impact on society (Fischer, 2004; Friedman & Miles, 2006). It can therefore be identified as an evaluation function of corporate actions based on the idea that all of these actions should eventually be rewarded or sanctioned (Hassan, 2012).

According to Hopkins (2012), CR as a generic term for the responsibility field can be divided into two main responsibilities, namely: Corporate Financial Responsibility (CFR), and Corporate Social (and Environmental) Responsibility (CSER). As a part of these responsibilities; CSER refers to *"the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of the society [socially & environmentally]"* (Bowen, 1953, p.6). As such, the strategy of CSER can be defined more narrowly as a deliberate commitment by corporations to recognise and respond to social and environmental needs through sustainable development of the organization's goals (Lynes & Adrachuk, 2008).

Although, CSER has been clearly defined by Bowen (1953), previous studies have provided different views of this concept, which may reflect the different interests and perspectives of the different stakeholders. Some researchers believe that, CSER is an integral part of societal rights, and companies have many responsibilities and duties toward the society they belong to (Carroll, 1979; Silberhorn & Warren, 2007). Others believe that CSER may merely be a voluntary initiative to serve society and the environment (Mathews, 1993; Sachs et al, 2005; Graafland & Van der Duijn Schouten, 2012). While a third school of thought sees it as a form of legitimacy and survival (Marrewijk, 2003; Kuo et al, 2012). Additionally, within the mutual interests of the stakeholder theory, CSER is known as a social contract between a firm and its stakeholders (Gray et al 1995a).

However, it could be argued that, all of the above views are consistent that CSER ultimately can be seen as a means to raise the level of performance and positive activity within the community and the environment, while at the same time

trying to reduce the proportion of social and environmental harm caused by commercial activities (Gray et al, 1995a; Moir, 2001; Garriga & Mele, 2004; Baker, 2004).

A number of researchers have interpreted CSER through the dimensions of this responsibility. They refer to it within three basic concepts: “*Profit Responsibility, Stakeholder Responsibility, and Social Responsibility*” (Marrewijk, 2003, p.101). In a more comprehensive interpretation of CSER, Carroll (1991) argues that CSER of business encompasses economic, legal, ethical and humanitarian responsibilities. CSER has also been defined through open and transparent business practices based on four areas: environment, workplace, community and market place (BM, 2006; Said et al, 2011).

Generally, it can be noted that although the above definitions vary, all refer to an emerging movement which seeks to incorporate social and environmental issues within organisational behaviours. Thus, through this interaction between financial and non-financial interests, corporations seek to maintain the legitimacy, communication and negotiation between themselves and the community while preserving their profitability (Hawkins, 2006; McKinley, 2008).

2.3.2 Motivations of CSER

According to Smith (2011), the industrial revolution, in the late 1970s, was not solely the starting-point of the evolution of the business world, but it is also considered an important point at which the social awareness of stakeholders increased. Along with this issue, CSER has also received increased attention during the late 1980s and early 1990s, especially after the accumulation of a

number of issues such as: ethical scandals by companies, depletion of natural resources and an increase in the environmental hazards in surrounding communities (Hassan, 2012).

Several researchers have emphasised that these issues played a major role in expanding global awareness of the impact of business and its interplay with society and stakeholders (e.g. Carroll 1999; DeTienne & Lewis, 2005; Albaum & Peterson, 2006; Aloquili & Kouhy, 2006).

Global rapid responses to urgent social and environmental issues, especially by the media and stakeholders, have drawn attention to the need to focus specifically on how such issues affect business behaviour, and to investigate the factors that drive firms to engage socially with their surrounding environment (Hackston & Milne, 1996; Campopiano et al, 2012).

Campopiano et al (2012) argue that the analysis of CSER motivations deserves greater attention, given that these motives may contribute to the firm's behaviour towards more non-financial activities. Indeed, several scholars (e.g. O'Dwyer, 2002; Silberhorn & Warren, 2007; Bronn & Vidaver-Cohen, 2009; Lungu et al, 2009; Graafland & Van der Duijn Schouten, 2012; Aldrugi & Abdo, 2014) argue that there are different motives for conducting CSER practices. For instance, Solomon and Lewis (2002) argue that the reason for CSER practices can be attributed to managers' perceptions of those practices as a justification of the firms' duty toward society and the environment, as well as a yardstick to build a positive image for stakeholders.

O'Dwyer (2002) investigated the perceptions of 29 senior managers in 27 Irish public companies, and found that legitimacy is an unsuccessful motivational

mechanism to engage in social and environmental activities. He asserts that there are two drivers behind organizational adoption of CSED: (Firstly), because it is an important way of engaging with their stakeholders. (Secondly), CSED strategy helps them deal with the multiple stakeholder pressures for accountability and legitimacy. Similarly, Silberhorn and Warren (2007) examined managers' perceptions regarding the motivations of CSER practices in German and British contexts. They found that the main motive behind CSED is a financial consideration. Additionally, they indicated that corporate response to stakeholder pressures can also drive them to make social and environmental disclosure.

Moreover, it is documented by Lungu et al (2009) that the motives of CSER practices might be attributed to the moral values of firms. They argue that, most CSER activities are in fact a reflection of a wide range of ethical initiatives adopted by companies in order to achieve economic objectives. These include such as; communicating with employees, building community good will, and overcoming past negative publicity. In the Canadian context, Cormier and Magnan (2003a) found that the main reasons for CSER practices are (i) to enable companies to obtain stakeholders' trust, and (ii) to bring a large number of financial benefits such as allowing; a firm to lower its cost of capital, raising stock valuation multiples and increasing stock liquidity.

In the context of Libya, Aldridgi and Abdo (2014) investigated the motivations for oil and gas companies for disclosing their environmental information. They found that corporate reputation, stakeholders' expectations, legal requirements, public pressures and economic factors are what motivate foreign companies to disclose environmental information. While, corporate reputation and public

pressures are the key motives that encourage local companies to disclose environmental information.

Although legitimacy, moral considerations, maximizing profits, reputation and stakeholder pressures are still debatable as drivers for CSED practices; a number of studies (e.g. KPMG, 2008; Lungu et al, 2009; Campopiano et al, 2012) have suggested that these drivers can be narrowed down into two key groups: **(i) Economic, and (ii) Moral considerations**, which will be further discussed below.

2.3.2.1 Economic considerations

The relationship between stakeholder groups is very sensitive, and it is vital for a business to achieve the right balance between internal and external stakeholders. Therefore, the firms seek to provide legitimacy cover for their practices to all stakeholders, in order to survive and ensure the different groups' healthy engagement with the firm (Aguilera et al, 2007).

The economic motive or so-called "*strategy of CSER*" has been used to make firms more attractive to work for, to increase worker productivity, and maximise stakeholders' profits (Friedman, 1962; Baron, 2001; Lantos, 2001). Thus, CSED is identified as a strategic way to implement non-financial activities motivated by self-interest to all parties associated either directly or indirectly with an organization (Baron, 2001; Deegan, 2002).

Indeed, economic motive plays an active role in the increase of CSER practices, as an important way to achieve a competitive advantage and at the same time, to exert a positive influence on the firm's financial results (Graafland & Van De Ven, 2006). In this regard, McWilliams et al (2006) believe that a strong

commitment to carry out CSER initiatives contributes to achievement of the economic desires of all stakeholders. Moreover, Graafland and Van De Ven (2006) argue that this motive to implement CSER activities depends on the existence of win–win for all stakeholders.

This motivation, through its economic considerations, aims to achieve a balance of all stakeholders' demands, whether financially or socially. It also seeks to enhance the social relationships among stakeholders and make them much more cohesive (Kagan et al, 2003). Therefore, it could be noted that, a corporation is ready to build, rebuild and maintain all old relations with its stakeholders by merging both economic and social goals, to owners who have an interest of maximizing profit and other partners who seek to ensure the social welfare.

For example, maintaining the good reputation of a firm affects stakeholders' trust, which in turn leads to the creation of business opportunities, higher profitability and productivity, motivates employees to greater commitment and enhances competitiveness (Graafland & Van De Ven, 2006). In contrast, a poor or damaged reputation will have a negative impact on the company's profitability, as happened recently in the UK, in the case of the “*horsemeat scandal*” (BBC, News 2013), which highlighted the negative behaviour and practices of a number of companies.

Due to the reciprocal benefits of a positive relationship between a firm and its stakeholders, it should be noted that, many researchers have also identified a positive relationship between social performance and profitability (e.g. Key & Popkin 1998; Rowley & Berman, 2000; Barnett & Salomon, 2012).

2.3.2.2 Moral considerations

The second motive suggests that the maximization of profits is not the sole reason to adopt CSER practices, and that the moral value is no less important than the financial (Graafland & Van De Ven, 2006). In this context, many organizations consider CSER practices as demonstrating a basic respect for human dignity and maintenance of the environment, separate from concerns, which serves their self-interest (Cropanzano et al, 2001).

Furthermore, Post (1996) argues that the moral motive can be viewed as a regulatory power to push companies toward a positive social change in their behaviour toward their communities, without any legal provisions. This means that the moral values of the firm's interaction with its stakeholders stem from the fact that the firm has an ethical duty to give back to society and the environment in which it operates.

In the context of moral motives, Greenberg (2002) confirmed that employee theft was most likely in situations where no corporate ethics policy was in place and employees were low in moral development. Barbian (2001) argues that stakeholders have non-financial motives for choosing an ethical company, even at the cost of lower wages to work for a socially responsible firm.

From this perspective, both the economic and moral motives of CSER activities represent the same aim, to satisfy both business and society, whether financially or socially. As such, it could be concluded from the above discussion that engaging in the moral practice of CSR activities ultimately leads to economic benefits for a company, and that the opposite is true.

Therefore, this begs the question: **What is the perception of stakeholders regarding the motivations behind CSED practices in the Jordanian context?**

2.3.3 Dimensions of CSER

Initially the main objective of an organization's economic performance is to maximise its profits. But, with the emergence of CSER multiple responsibilities of organizations have emerged, stretching beyond responsibility to their owners. CSER is currently viewed as a strategy that plays an important role in helping organizations achieve success by providing solutions to fundamental challenges facing business and society, which also contributes to the mitigation of negative effects on the environment and society. As a result of the multiplicity of policies towards voluntary activities, along with variation that exists in the laws and regulations concerning the practices of CSER activities among different countries; there emerged an urgent need to classify these activities into a set of relevant dimensions (Attar, 2009).

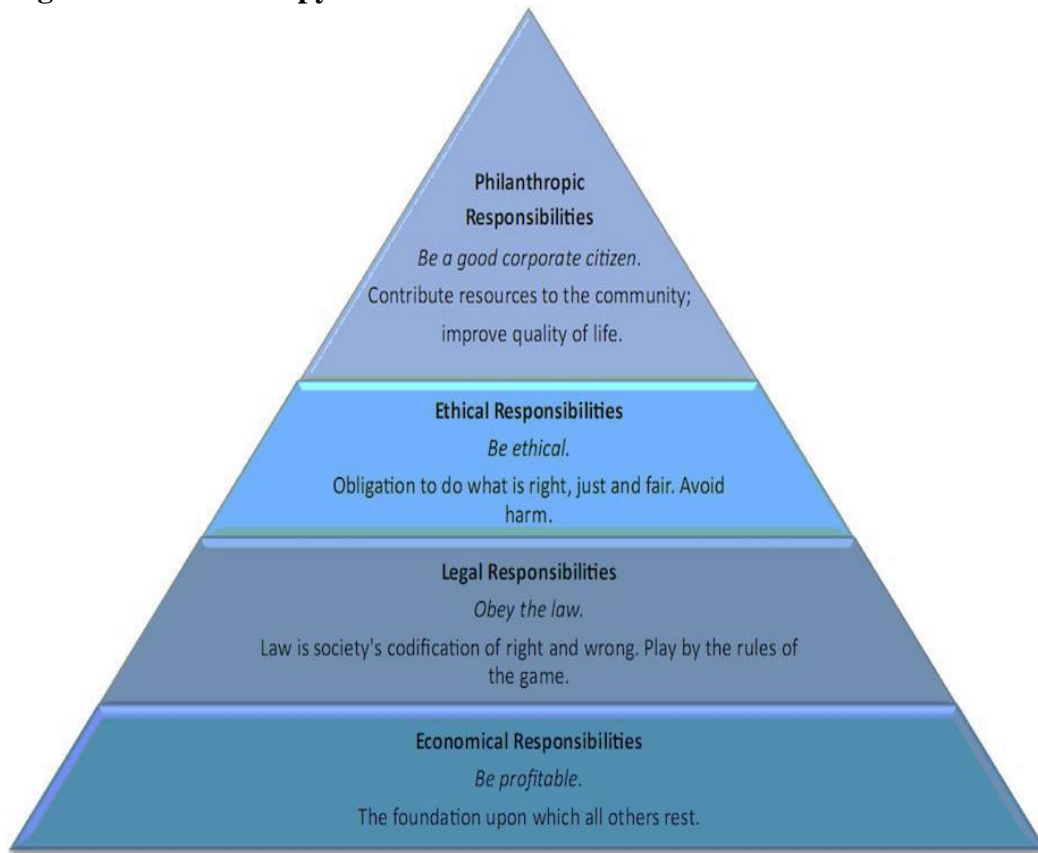
A number of researchers have tried to determine the dimensions of CSER, to identify the nature of corporate responsibility practiced by companies towards their society and stakeholders (Carroll, 1979:1991:1999; Dahlsrud, 2008; Uddin et al, 2008; Nicolae & Sabina, 2010). Thus, the next section will address these issues in greater detail.

2.3.3.1 CSER Pyramid

As previously mentioned, various studies have focused on identifying the dimensions of this responsibility through attempts to facilitate the analysis and measurement of CSER practices, in line with the economic, moral values and expectations of stakeholders (Sethi, 1975; Carroll, 1979:1991).

Specifically, at the end of the 1970s, Carroll (1979) established a set of rules to determine corporate responsibilities within dimensions that satisfy all parties. In fact, many researchers have benefited from Carroll's pyramid in several fields, whether theoretically or empirically. It is described as a significant contribution to the modern history of corporate responsibility, which has helped significantly in the assessment of the level of compliance with CSER activities (Lee, 2008).

Figure 2-1 Carroll's pyramid of CSER



Source: Carroll (1991, p.42).

Based on the above diagram, Carroll (1991) classified CSER into four different types. Firstly, let us consider “Philanthropic Responsibility”. It states that organizations and individuals contribute to strengthening resources within the community and improving the quality of life. Secondly, “Moral Responsibility” relates to organizations taking into account ethics in their decisions and business practices. Thirdly, “Legal Responsibility” means compliance with existing laws,

abiding with contractual agreements and avoiding breach of trust. Generally, the law serves as a mirror that reflects what is right or wrong in a society. Finally, “Economic Responsibility” has always been the primary objective of most organizations as they are established to make a profit, out of which other responsibilities are carried out. Therefore, for an organization to be socially responsible, it must have these four components of responsibility as defined by Carroll (1991) and confirmed by Visser (2008).

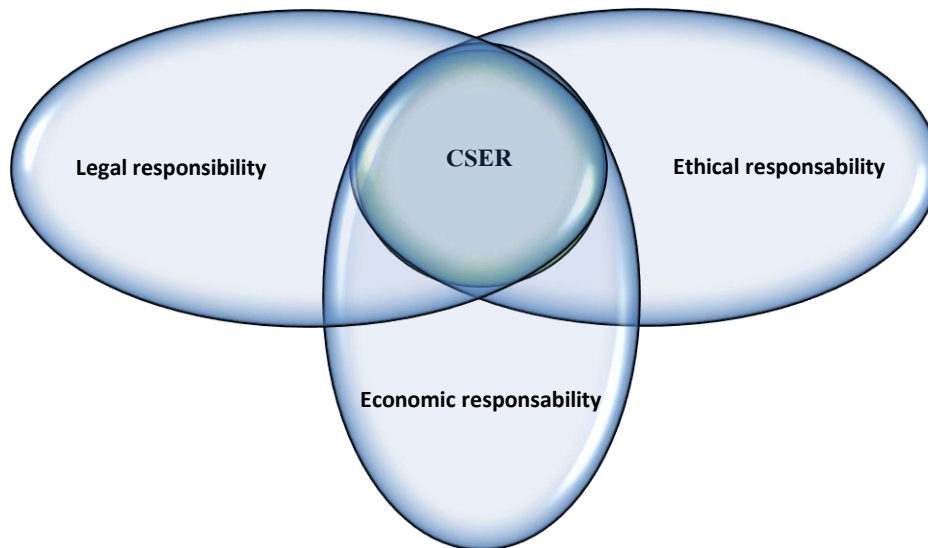
It could be that Carroll has classified these dimensions in a hierarchical sequence; however, it is also argued that these dimensions depend on each sequentially “step by step”. As such, it could be observed that Carroll’s perception of CSER dimensions follows a chronological order or bottom-up approach where each strata of responsibility stands independently from the other. Meaning that, for organizations to be socially responsible, they are required to follow the hierarchical order as spelt out in the CSER dimensions. It could therefore also be argued that Carroll’s CSER Pyramid applies to the pre-global economic crisis period where business organizations operated freely without great concern for ethical issues. However, in today’s business environment, organizations are faced with moral concerns as a basis for investment and patronage by stakeholders who cannot be relegated to the background in achieving CSER.

Despite its significance, numerous researchers have criticised this pyramid for failing to demonstrate the interdependence and integration among the four dimensions (Kang & Wood, 1995; Windsor, 2001; Mayer, 2009). For instance, Windsor (2001) and Figar and Figar (2011) argue that placing economic responsibility at the bottom of the pyramid depicts the foundation of CSER

without which legal, ethical and philanthropic responsibilities cannot be achieved. Carroll's study clearly focuses more on the economic and legal responsibilities of an organization than on the ethical or social aspects.

Similarly, Kang and Wood (1995) are of the view that Carroll's pyramid uses a flawed assumption and it cannot be used to achieve social responsibility without profit, despite the fact that this is possible. In this context, Wood (1991) argues that Carroll's pyramid lacks an integrated approach to all the CSER dimensions, because the relationship must rely on integration to satisfy the desires of stakeholders. In view of these criticisms, this study will provide a new model of CSER dimensions, which can be seen in Figure 2.2.

Figure 2-2 Integration of CSER dimensions



This model shows the interdependent relationships among economic, legal and ethical responsibilities to represent CSER. It demonstrates all the possible logical relations of the three components in such a way that none could be fully achieved without the support of the other constituent parts. Thus, the point of intersection between economic, legal and ethical dimensions is fundamental in achieving a successful CSER model within an organization.

2.3.3.2 Development of CSER dimensions

Despite the criticism of Carroll's pyramid, we cannot ignore its importance in drawing a clear line in the life cycle of CSER development. In fact, the criticisms of Carroll's pyramid have resulted in much more work to determine the possible dimensions of CSER practise. Therefore, this study has embraced some evolutionary lines in the CSER dimensions.

For example, Rahman (2011) detailed their development of CSER dimensions through over time, beginning in the 1950s, where the focus was on organization issues related to the community. The second development of CSER dimensions was in the 1960s, by moving toward improving the relationship between company and community. In the 1970s there was the emergence of the economic, legal, ethical and discretionary dimensions; and in the 1980s the focus was on economic development, fair business practices and fair profit; while in the 1990s the focus moved to the dimensions of ethical business practice. Finally, in the new millennium, the focus of corporate responsibility has shifted toward the dimension of social integration within communities.

Garriga and Mele (2004) used a different method to link the dimensions of CSER with social theories, through classifying the dimensions into four groups. Firstly, they included economic theory which considered organizations as an instrument for maximizing profits, known as the economic dimension. Secondly, they included the political theory that focuses on an organization's power during the application of law in society. The third group comprises integrative theory, focused on the relationship between the firm and its stakeholders. Finally, ethical

theory is another dimension of CSER activities which focuses on the application of moral rights and acceptable behaviour within a corporate environment.

Both Gray et al (1996) and Windsor (2006) have used a similar perspective. Specifically, Gray et al (1996) divided CSER dimensions into mandatory and voluntary, and stated that:

“These contracts (CSER) can be thought of as both legal and non-legal – that is, moral or natural contracts, that is some relationships and parts of some relationship are governed by law whereas other relationships – and some parts of all relationships – are governed by the ruling ethics, values and principles of society” (p.39)

By the same token, Windsor (2006) argued that:

“Responsibilities are located between unarguably mandatory commitment (economic and legal) and arguably (desirable philanthropy) prudent or voluntary” (p.99)

In contrast, Dusuki and Abdullah (2007) provided a new dimension of CSER that involves religious beliefs based on shared and common values between individuals and organizations. Whereas, Friedman (1970) believes that there is one form of the dimensions of CSER that ensures a relationship between organization and its stakeholders is consistent with the company's internal requirements.

2.3.4 Expectation Gap of Social Responsiveness

Social responsiveness emerged in the 1970s; and refers to the firms' response to meeting the social and environmental demands of multiple stakeholders (Sethi, 1975). In the same vein, Hopkins (2012) defined social responsiveness as the capacity of the corporation (i) to respond to external social pressures, and (ii) to

serve the needs of multiple stakeholders that have evolved over the last four decades.

However, despite the increasing amount of attention paid to meeting the needs of their stakeholder groups from their social and environmental activities; corporate social performance sometimes does not equate with these needs (Zollo et al, 2006). This means that the needs of stakeholders are increasing more significantly than the actual social and environmental activities implemented on the ground.

This gap can be traced to the end of the 1970s, when some researchers noted a continuous surge of stakeholder demands especially where the companies face limited resources (Graafland & Van De Ven, 2006). Ackerman and Bauer (1976) also identified the so-called “*zone of discretion*”, where there are no legal provisions for social practices. As such, the management of a company finds itself compelled to meet the stakeholder demands, even though these demands have become much higher in CSER practices (GlobeScan, 2005).

Generally, considering that the organizations are the first and last body responsible for meeting stakeholder demands (Douglas et al, 2004), many scholars such as Garriga and Mele (2004), and Ackerman and Bauer (1976) have concluded that there is an urgent need to focus more on stakeholder expectations through the establishment of a direct dialogue between a firm and its stakeholders, both internally and externally. This is discussed in the section below.

2.3.5 Dialogue with Stakeholders

Although corporations are becoming more aware of their responsibilities to society and environment than ever before; they continue to face increased pressure to engage more socially with their stakeholders (Gray et al, 1995a). Consequently, many companies have noted that an increase in such social pressures could be the basis for stakeholders' changing perceptions of corporate reputation or the legitimacy gap between the firm and its stakeholders (Deegan & Gordon, 1996).

Many corporate managers have therefore relied on management of these changing expectations as an approach to address such increasing stakeholder pressures (Lee, 2008). For instance, Sethi (1975) and Dowling and Pfeffer (1975), cited in Deloitte and Staden (2012), have indicated that firms seek to legitimise their existence and operations in the eyes of their stakeholders, especially when there is a crisis in the firm's reputation that may affect their sustainability. These companies might then resort to strategic ways to ascertain stakeholders' needs and expectations prior to disclosure of their activities, in order to respond to varying social pressures, and thus avoid a legitimacy gap (Patten, 1992; Laine, 2010).

It is argued that the activation of social dialogue between firms and stakeholders can be seen as a proactive way to enhance economic value and strengthen relationships with the local community (Argandona & Hoivik, 2009). Therefore the aim of this "*proactive approach*" is to assist companies in disclosing relevant information that meets the expectations and needs of both internal and external stakeholders (Deloitte & Staden, 2012). Lindblom (1994) argued that the

proactive approach was reactive and proactive before the occurrence of the legitimacy crisis. Therefore, this approach depends on continuing and maintaining stakeholder dialogue (Cooper & Owen, 2007).

This can therefore be defined as an effective proactive approach, since it depends on consultation and dialogue across groups; as a first step before corporate disclosure. In this regard, Parsa (2001, p.96) argues that:

“Stakeholder dialogue is concerned with interaction between companies and their stakeholder groups. Companies who identify their stakeholders groups are also expected to communicate with their stakeholders and find out their information requirements. As the nature of the relationships between companies and each of their different stakeholders group differs, companies are expected to use different means of communication and consultation for each stakeholder groups as a part of stakeholders’ dialogue”.

Generally, stakeholder dialogue is one of the most common ways that can be used to encourage corporations to engage with both internal and external stakeholders groups. Therefore, increased satisfaction of stakeholder groups and reduction in conflicts of interest are both an inevitable result of this dialogue (Gray et al, 1996). Based on the conception and the importance of this dialogue, the next section provides an overview of these groups and their roles within the business environment.

2.3.6 Stakeholder Groups

The basic idea of CSER practices according to the view of several researchers is a set of non-profit activities linked to ethical values practiced by organizations to meet the needs of their stakeholders, along with achieving economic benefits related to sustainable business development (Freedman, 1984; Clarkson, 1995).

It is argued that the roots of the relationship between the practices of CSER and stakeholder needs are old and integral. From this special relationship, stakeholders' needs are the basis of emergence of the CSER concept in the business environment (Brown & Forster, 2012). Freedman (1984) argued that the crystallization of the concept of stakeholders comes as a result of increasing pressures on organizations' behaviour in meeting specific needs of stakeholders, especially those associated with it in contractual relationships. But, the question that arises regarding such contractual relationships is: who are these stakeholders? (Mitchell et al, 1997).

A stake could be a share or interest in an undertaking, while a stakeholder could be regarded as an individual with a stake in the business (Freeman, 1984). Accordingly, the concept of the stakeholder in early literature was defined as a set of people who have a direct contractual relationship with the firm, whether owners or shareholders (Donaldson & Preston, 1995).

However, it has been argued that this definition of stakeholder "*leave[s] some people feeling uncomfortable*" (Magness, 2008, p.178). Mitchell et al (1997), in this regard, state that the term was introduced in the literature of accounting to allay concerns of parties other than owners and shareholders. Businesses have given these concerns greater attention when identifying wider groups of stakeholders, depending on the level of these groups in influencing firms' actions (Mitchell, 2012).

Consistent with the above argument, Freeman (1984, p.46) defined the stakeholder group as "*any group or individual who can affect or is affected by the achievement of the organization's objectives*". Similarly, the Clarkson Centre

for Business Ethics conceptualised stakeholder groups as “*constituencies that are affected, either favourably or unfavourably, by the operations of the corporation*” (Clarkson, 1995). In another contribution, Evan and Freeman (1988) define them as:

“...those groups, who have a stake in or a claim on the firm. Specifically we include suppliers, customers, employees, shareholders and the local community, as well as management in its role as agent for these groups” (p.79)

A large number of studies have relied on different classifications of stakeholder groups. For example, Clarkson's (1995) concept of stakeholders is those who have a power to influence the firm's survival. This is divided into two groups: (i) primary groups who are considered essential to the firm's continuing existence; (ii) secondary groups who are affected indirectly by the firm operations.

Abreu et al (2005) attempted to explain the effect of CSER practice in the perceptions of Portuguese stakeholders, through classifying them into five key groups: consumers, suppliers, the community, the government and the environment. It is worth noting that this study also included government as a stakeholder group which cannot be ignored.

Moreover, Longo et al (2005) divided stakeholder groups on the basis of CSER activities. These groups include: (i) employees, including health and safety at work, development of workers' skills, wellbeing and satisfaction of worker, quality of work and social equity; (ii) suppliers, who represent a partnership between the ordering company and supplier selection and analysis systems of suppliers; (iii) customers, through the activities of product quality, safety of the customer during the use of the product, consumer protection and transparency of

consumer product information; and (iv) community, by creating an added value to the community and environment safety and production.

In a new classification of these groups, Huang and Kung (2010) indicate that this should be on the basis of the nature of the relationship between stakeholders and companies on the one hand, and CSED strategies on the other hand. Huang and Kung presented three groups for stakeholders; *“External stakeholder groups, such as the government, debtors, and consumers, exert a strong influence over management intentions regarding the extent of environmental disclosure. Internal stakeholder groups, such as shareholders and employees, impose additional pressures on firms to disclose environmental information. As for intermediate stakeholder groups, environmental protection organizations, and accounting firms, these can greatly influence managerial choices regarding their environmental disclosure strategies”* (p.435)

Contributions in stakeholder classification have not been confined to academic researchers only. For example: the American Institute of Certified Public Accountants (AICPA, 2012) identified them through corporate sustainability initiatives that are beneficial to stakeholders (e.g. employees, shareholders, suppliers, customers, the general public and the environment).

It should be noted that there is general agreement on the importance of the relationship between a firm and its stakeholders, due to the fact that a firm cannot continue with its work unless it maintains a long relationship with these groups. As Uddin et al (2008) assert: *“...this is the reason why CSR currently has gained so much importance”* (p.200).

2.4 Overview of Corporate Disclosure

According to AAA, cited in Sterling (1967), the main purpose of an accounting system is identifying, measuring and communicating information. An accounting system is a comprehensive information system aimed at creating and providing information to all internal and external stakeholders that would enable them to make better strategic decisions (Flynn & Koornhof, 2005). From this perspective, corporate disclosure is a deliberate release of all relevant information pertaining to company performance, whether financial or non-financial, by using multiple methods to deliver information to its users (Guthrie & Parker, 1989; Gibbins et al, 1990).

This corporate disclosure aims to provide a realistic picture of the real status of the company through the compulsory and voluntary company's contact with the parties concerned (Guthrie & Parker, 1989; Hassan & Marston, 2010). Therefore, this study seeks to investigate one type of corporate disclosure by discussing relevant issues, namely CSED practice. Thus, the following sections will focus on corporate disclosure in general and CSED practices in particular.

2.4.1 Corporate Disclosure Concept

The Oxford Dictionary defines the concept of disclosure as *“information or fact that is made known or public that was previously secret or private”* (Hussey, 1999, p.357). Corporate disclosure is crucial in financial reporting. In this regard, Bevis (1965) writes that:

“No matter how exclusively consensuses on accounting and reporting practices are established and how closely they are followed, the principle of full and fair disclosure must remain the keystone of successful corporation-stakeholder and corporation-society relations” (p.201)

Although written in 1965, the above quotation is still relevant as a general framework of current corporate reporting practices. This relevance is supported by the increasing effort of the stakeholders groups, national and international accounting organisations, and regulatory bodies in expanding the scope of corporate disclosure. Despite its great importance, it is less specifically defined and has undergone a variety of alterations over time, based on the pace of change in the business environment. It began as merely the presentation of general facts in financial statements (Chandra, 1974), and has evolved to a process of publication of information by companies, whether voluntary or mandatory (Gibbins et al, 1990).

The culmination of corporate disclosure is the communication of information, whether financial or non-financial, voluntary or required, quantitative or otherwise of a company's financial position and financial adaptability (Owusu-Anash, 1998). This advancement suggests a more holistic framework and the adoption of this may well be useful in conducting research.

2.4.2 The Role of Corporate Disclosure

Corporate disclosure plays an important role in enhancing corporate reputation and legitimacy (Uyar et al, 2013), and helps in mitigating the conflicting interests of users and information preparers' by providing real information on all aspects of corporate actions (Healy & Palepu, 2001). Previous research has discussed two main problems caused by these conflicting interests. When stakeholders' needs reside within the scope of unreasonable needs, and firms' activities are unable to meet all these needs, this is generally referred to as a conflict of interest

(Gray et al, 1996). The main point here is how companies deal with the stakeholders' needs and whether there is a proactive way to establish these.

Pedersen (2006) pointed out that *“the dialogue is possible even in situations with conflicts of interest if the conflict can be regulated and/or the stakeholders will acknowledge the potential for a fruitful cooperation”* (p.157). Akhtaruddin (2005) also argued that companies should increase their disclosure in order to mitigate such conflicts between outsiders and insiders. However, to overcome this problem, it has been suggested that enhanced corporate disclosure through successful partnerships between stakeholders and firms might lead to the achievement of common goals and mutual benefits for all partners. Harrison and John (1996, p.46) argued that:

“Successful partnerships with stakeholders create such valued benefits as increased product success rates, increased manufacturing efficiency, the development of distinctive competencies arising from partnerships with local communities or government agencies, reduced unfavourable litigation, reduced levels of negative publicity, and favourable regulatory policies”.

Generally, corporate disclosure can be understood as a method that allows companies to convey information to interested parties and to communicate with them via various channels of disclosure. The following section discusses the various types of corporate disclosure.

2.4.3 Types of Corporate Disclosure

Researchers have identified two main sources of corporate disclosure: Firstly, accounting information, disclosed by the management contribution, and called *“Voluntary Disclosure”*. The Second is accounting information that meets

regulation regarding filings and is called “*Mandatory Disclosure*” (Beyer et al, 2010; Hassan & Marston, 2010).

2.4.3.1 Mandatory Disclosure

There are significant accounting regulations which govern corporate disclosure practices around the world, and almost all developed and developing capital markets have corporate disclosure regulations. However, the important question that may pose under this type of disclosure is this: why are regulations required in the corporate reporting practices.

Inchausti (1997) and Akhtaruddin (2005) note that managing and resolving conflicts among stakeholders represents one of the main reasons for disclosure regulation. Healy and Palepu (2001) also argue that the key to judging the necessity of corporate disclosure regulation is whether economic consequences justify regulating corporate disclosure, and whether these regulations contribute toward solving the problem of the quantity and quality of reporting of interest to all stakeholders in capital markets. Others argue that disclosure of more non-financial information may reduce conflicts of interest between a firm and its stakeholders (Shleifer & Wolfenzon, 2002). Akhtaruddin (2005) argues that avoidance of potential conflicts between management and the outside world requires enhanced quality of corporate reporting. In this regard, Beyer et al (2010) argue that:

“to support the desirability of disclosure regulation on the basis of agency problems, one needs to argue that regulators can enforce disclosures that shareholders cannot enforce on their own (e.g., because regulators can impose sanctions that are unavailable in private contracting) and that reduced agency problems and lead to greater wealth creation”(p.36).

Healy and Palepu (2001) argue that disclosure regulation generates accounting information that is value relevant. Empirical research related to the economic consequences of mandatory disclosure is very limited and somewhat inconsistent (Healy & Palepu, 2001; Bushee & Leuz, 2005). Kothari (2001) found that regulated financial reports provide significant, relevant and new information to stakeholders. More so, a positive association has been demonstrated between mandatory disclosure and firm value (Hassan et al, 2009). Watts and Zimmerman (1986), also assert that accounting information can be viewed as a public good for all stakeholders; the purpose of this regulation is therefore to reduce the information gap between informed and uninformed (Healy & Palepu 2001).

2.4.3.2 Voluntary Disclosure

According to Beyer et al (2010) voluntary disclosure is a firm's optimal choice when it has private and urgent information about its performance, profitability or any issues related to society and environment. It is commonly used in order to obtain greater recognition and legitimacy (ibid). Previous research has identified some assumptions concerning voluntary reporting of all or some private information: (i) increase legitimacy and accountability, (ii) reduce agency costs, (iii) lead to good relations between internal and external parties in the long term, (iv) it has an effect on the firm value, (v) help stakeholders to interpret a firm's financial performance, (vi) demonstrate dissatisfaction with mandatory financial reporting, and finally (vii) firms cannot commit up-front to a certain disclosure policy (Patten, 1992; Gray et al, 2001; Cormier & Magnan, 2003; Boesso & Kumar, 2007). However, Beyer et al (2010) contended that these assumptions have not been successful in explaining observed disclosure practices.

Previous empirical investigations revealed several motives for voluntary disclosure decisions: capital market transactions (Healy et al, 1999; Lang & Lundholm, 2000), firm value (Hassan et al, 2009) and social accounting (Roberts 1992; Gray et al, 1995a; Brammer & Pavelin, 2004; Branco & Rodrigues, 2007; Huang & Kung, 2010). Consequently, voluntary disclosure can be defined as:

“disclosure in excess of requirements, representing free choices on the part of company managements to provide accounting and other information deemed relevant to the decisions needs of users of their annual reports” (Chau & Gray, 2002, p.247).

Voluntary disclosure has become a strategy issue for both companies and stakeholders, in order to establish their firm’s good reputation in dealing with stakeholders’ needs related to non-financial information. This helps increase understanding of the underlying relationships between social and environmental reports and financial performance.

2.4.4 Corporate Social and Environmental Disclosure (CSED)

The increasing demands for a more inclusive framework for reporting all information relating to the corporations and their non-financial activities are as a result of their acceptance to engage socially in their communities (Freeman, 1984). Along with this reason, recent developments of economic growth and technological progress, as well as to conform to environmental and social norms are also other reasons which have led to increased interest on the corporate non-financial disclosure (Aloquili & Kouhy, 2006).

In line with the reasoning offered above, it could be argued that the question that arises is: what the nature of these non-financial disclosures is, and who are the beneficiaries of this information? In fact, this question will be answered in the next sections through further discussion on the issues related to CSED practices.

2.4.4.1 Definition of Corporate Social and Environmental Disclosure

Disclosure related to CSER issues has been increasing in popularity among diverse stakeholder groups (Clarkson et al, 2008). It has become one of the important strategic contexts in which to enhance a corporation's existence through positive and cohesive stakeholder relationships (VanStaden & Hooks, 2007; Deegan et al, 2000). As such, CSED can be defined as a useful means of communication between firms and stakeholders (Gray et al, 1995a), in order to maintain old, and develop new, relationships between the firm and its stakeholders (Guthrie & Parker, 1990).

A number of theoretical perspectives have addressed the definition of CSED within various frameworks, which reflect the diversity of philosophical perspectives on the importance of CSED in social and economic value of a firm. For example, Michelon (2011) addressed the CSED concept through a legitimacy perspective, where he argues that it:

“...is part of the dialogue between a company and its stakeholders, and it provides information on a company’s activities that help legitimise its behaviour, educate and inform, and change perceptions and expectations” (p.79).

In another context, discussing the integration of social and economic needs, Guthrie and Mathews (1985) argue that CSED is:

“...provision of financial and non-financial information relating to an organisation's interaction with its physical and social environment, as stated in corporate annual reports or separate social reports” (cited in Hackston & Milne, 1996, p.78).

In the accountability framework of stakeholders, Gray et al (1987, p.ix) provide a comprehensive definition of CSED as:

“...the process of communicating the social and environmental effects of organizations' economic actions to particular interest groups within society and to society at large. As such, it involves extending the accountability of organizations (particularly companies), beyond the traditional role of providing a financial account to the owners of capital, in particular, shareholders”.

From a stakeholder perspective, Grunig (1989) cited in Golob and Bartlett (2007), sees CSED as a central charter for public relations in communicating and creating mutual understanding and managing potential conflicts of interest. In other words, CSED is also seen here as an important strategy employed by an organization to negotiate its relationship with stakeholders (Gray et al, 1996). It is therefore the correct way to manage stakeholders in order to gain their support and approval, and to avoid conflicts of interest between internal and external stakeholders that could also affect the company's position (Spicer, 1978).

From these definitions, an integrative relationship appears to exist between the practices of CSED and stakeholders' needs. Therefore, in order to maintain this mutual relationship, a dialogue between companies and their stakeholders should be opened. In this regard, it is argued by Ince (1998) that, the dialogue should at least be maintained, in order to determine stakeholder needs and expectations, and to keep this integrative relationship away from any conflict of interest.

2.4.4.2 Importance of Corporate Social and Environmental Disclosure

The voluntary nature of CSER disclosure has led some researchers such as Deegan (2002) and Belal and Cooper (2011) to argue that there are obstacles facing the practices of CSED in the field of social accounting. These challenges are often centred on: (i) lack of adequate knowledge from stakeholders about the importance of CSED in strategic decision making; and (ii) still limited government regulations, especially within developing countries.

Despite the voluntary nature of CSED, several researchers have attempted to explain the importance of reporting the effects of corporate activities, from their different perspectives on the necessity of disclosing CSER issues (Gray et al, 1995a; Hackston & Milne, 1996; Deegan & Gordon, 1996). It is thus useful to review the importance of CSED practices within the social theories context; the reasons underlying the importance of CSED are highlighted below:

- (i) There has been increased demand for international investment and growing awareness over future investment opportunities (Brammer & Pavelin, 2006). Combined with the growing importance of ethical issues, these led to increased attention from stakeholders on the importance of the existence of reports reflecting the firms' reality in terms of both financial and non-financial issues (Deegan, 2002; Daub, 2007).
- (ii) Parsa and Kouhy (2008) argue that “[in] *the absence of any regulatory requirements, gaining and maintaining a favourable reputation is a major reason for firms to report social information*” (p.346). In other words, voluntary initiatives on CSER disclosure help organisations to avert a crisis of trust with stakeholders, as also discussed by Gray et al (1995a).
- (iii) It provides an opportunity for a firm to improve its image within the community in which it operates. This issue may be extremely important, especially for those companies whose reputation has been damaged by social or environmental disasters. Providing increased CSED practices may be a means by which to erase such negative images (Deegan & Gordon, 1996; Parsa & Kouhy, 2008).

- (iv) It provides an opportunity for a firm to build a good relationship between itself and parties that have a strong impact, such as community and government employees, customers, investors, suppliers, lenders and activist organizations (Gray et al, 1996; Branco & Rodrigues, 2008).
- (v) CSED can be used as a way to inform stakeholders about a firm's social and environmental performance. Additionally, CSED is used to achieve competitive advantage, through enhancement of both the brand image and reputation of the company “*developing valuable intangible assets*” (Branco & Rodrigues 2008, p.658). This may lead to improvements in working conditions and production, employee retention and attracting new customers (Baxi & Ray, 2009).
- (vi) Finally, CSED is seen by companies as a means to justify their activities and their operations to a wider audience (Daub, 2007), and to reduce the concern of loss of legitimacy and threats facing the social contract (Deegan, 2002; Branco & Rodrigues, 2008; Huang & Kung, 2010).

2.4.4.3 Patterns of Corporate Social and Environmental Disclosures

The CSER terminology covers not only social indicators; it covers also a set of non- financial activities that need to be practiced by organizations in order to achieve sustainable development in business areas (BSR, 2003). The literature on CSED reports various activities of corporate non-financial practices under this term.

Community involvement, environmental issues, human resources, customers' rights and product information are the most common patterns in previous studies

(Epstein & Freedman, 1994; Deegan & Rankin, 1997; Adams & Kuasirikun, 2000; Idowu & Towler, 2004; O'Dwyer et al, 2005; Silberhorn & Warren, 2007; Belal & Roberts, 2010; Elsakit & Worthington, 2012).

However, multiple patterns of CSER information are highlighted in CSR literature. For example, Adams and Kuasirikun (2000) examined differences in the patterns of CSED by the largest UK and German chemical companies on ethical issues from 1985 to 1995. This study covered CSER activities regarding environmental, consumer and community involvement. The results showed that, disclosures by UK companies mainly have centred on environmental issues, whereas German companies focused on product and consumer information. They argued that this diversity could be explained by differences in the nature of the industry, government relations, culture, and pressure groups.

In Singapore, social information, human resources and community involvement are documented as the items most disclosed by the sampled companies, followed by environmental information (Tsang, 1998). Employee related disclosures were found to be the most common, with community activities as the second main category in Singapore's corporate reports.

Environmental information was found to be most common in the annual reports of UK corporations, as reported in the study conducted of Gray, Kouhy and Lavers (1995a). Unlike the above study, human resource information was the most important item disclosed by sampled companies in Malaysia and Singapore by Andrew, Guthrie and Teoh (1989).

Similarly, Epstein and Freedman (1994) examined the investors' perceptions of the best way to obtain information and their perceptions of the patterns of CSED

that are useful for all stakeholder needs. The results indicated that investors still have an interest in receiving social and environmental information through the annual reports. But products with a high level of safety and quality were the most important pattern of CSED.

Furthermore, Idowu and Towler (2004) analysed the perceptions of 30 company managers they requested to provide reports about CSER patterns and the best way to get such information. The results show that managers tend to disclose information about activities in the environment, community, marketplace and workplace. They also found that UK firms had adopted two methods in their CSER disclosure; (i) providing separate reports for social and environmental activities; (ii) separate sections for CSED within the annual report.

By using a disclosure index, Ernst and Ernst (1978) tested related patterns of CSED practices in the annual reports of the Fortune 500 group (1972-1978). The results showed that, environmental information was found to be the most commonly disclosed by 78%; information on fair practices was reported as second pattern with 77%, followed by patterns of community involvements, energy issues, human resources, products and other information at 72%, 67%, 60%, 37% and 24% (respectively).

As a consequence, two questions can be raised about the perceptions of stakeholders: **(Firstly): What are the stakeholders' perceptions of the methods used by the Jordanian companies for disclosure of social and environmental information?**

And, **(Secondly): What are the stakeholders' perceptions of the patterns of CSED that are useful to the Jordanian stakeholder?**

2.4.4.4 Determinants of Corporate Social and Environmental Disclosures

Accounting literature documents a variety of internal and external factors affecting the practices of corporate disclosure. As noted above, several empirical studies, such as those by Adams and Kuasirikun (2000), Belal (2001), Haniffa and Cooke (2002), Ahmad (2004), Hanafi (2006), Elsakit and Worthington (2014), reported that the analysis of the factors determining the level and extent of corporate disclosure may be considered one of the major considerations helpful in providing a better understanding of the corporate disclosure practices of any country.

This means that, understanding the potential factors that can affect CSED practices is an important step prior to deciding to disclose the social and environmental implications of corporate activities (Ahmad, 2004). Consistent with the above argument, this study will evaluate a variety of determinant factors of CSED practices in a Jordanian context, broadly classified into two categories, namely: (i) Internal factors (firms' characteristics) and, (ii) External factors (local contextual factors).

The purpose of this section is to discuss the corporate characteristics as internal factors that affect the level of corporate voluntary practices, whilst the Jordanian contextual factors will be discussed in greater detail in the next chapter.

2.4.4.4.1 Internal Factors (Corporate Characteristics)

According to Gray et al (2001, p.238) there has been an increase of CSED studies “...in both size and complexity over the last two decades...[which is] unsurprising”. However, what is surprising is that there is “*increasing attention from stakeholders and its regulators*”, to understand and explore the internal

factors in an organization that determine its disclosure practices (Adams et al, 1998; Gray et al, 2001; Belal & Owen, 2007).

Table 2-2 Previous studies' on the effect of corporate characteristics on CSED

Factors	Prior Studies
Firms' Size	Trotman & Bradely,1981; Singh & Ahuja,1983; Ng, 1985; Cowen et al 1987; Belkaoui & Kaprik, 1989; Freedman & Jaggi, 1988; Roberts, 1992; Gray et al 1996; Deegan & Gordon, 1996; Hackson & Milne, 1996; Adams et al 1998; Choi, 1999; Gray et al 2001; Haniffa & Cooke, 2005; Gao et al 2005; Hanafi 2006; Naser et al 2006; Hossain & Reaz 2007; Ghazali , 2007; Barammer & Pavelin, 2008; Branco & Rodrigues, 2008; Parsa & Kouhy, 2008; Ismail & Ibrahim, 2009; Hassan, 2010; Elmaghrabi 2010; Yao et al 2011; Hussainey et al 2011; Bayoud et al, 2012; Wang et al 2013; Uyar et al 2013; Khasharmeh & Desoky, 2013.
Type of industry	Trotman & Bradley, 1981; Singh & Ahuja 1983; Cowen et al 1987; Freedman & Jaggi, 1988; Ness & Mirza, 1991; Gamble et al 1995; Hackson & Milne, 1996; Gray et al 1996; Adams et al 1998; Choi, 1999; Gray et al 2001; Sahay, 2004; Gao et al 2005; Haniffa & Cooke, 2005; Hanafi 2006; Ghazali, 2007; Rizk et al 2008; Barammer & Pavelin, 2008; Branco & Rodrigues, 2008; Parsa & Kouhy, 2008; Ismail & Ibrahim, 2009; Hassan, 2010; Yao et al 2011; Bayoud et al, 2012; Wang et al 2013; Khasharmeh & Desoky, 2013.
Corporate ownership	Teoh & Thong 1984; Roberts, 1990; Guthrie & Parker, 1990; Gray et al 1995; Adams, 2002; Chau & Gray, 2002; Xiao et al 2004; Haniffa & Cooke, 2005; Naser et al 2006; Hossain & Reaz 2007; Ghazali, 2007; Rizk et al 2008; Ismail & Ibrahim, 2009; Saleh et al, 2010; Elmaghrabi 2010; Hassan, 2010; Yao et al 2011; Hussainey et al 2011; Uyar et al 2013; Wang et al 2013.
Profitability	Trotman & Bradley 1981; Freedman & Jaggi,1982; Singh & Ahuja, 1983; Cowen et al 1987; Belkaoui & Karpik, 1989; Roberts, 1992; Gray et al 1996; Hackston & Maline, 1996; Haniffa & Cooke, 2005; Naser et al 2006; Hanafi, 2006; Ghazali, 2007; Barammer & Pavelin, 2008; Branco & Rodrigues, 2008; Elmaghrabi 2010; Hussainey et al 2011; Uyar et al 2013; Khasharmeh & Desoky, 2013.
Type of auditor	Hossain et al 1994; Choi, 1999; Xiao et al 2004; Hossain et al 2006; Barako et al 2006; Chau & Gray, 2010; Elmaghrabi 2010; Khasharmeh & Suwaidan, 2010; Samaha & Dahawy 2011; Hussainey et al 2011; Uyar et al 2013; Ajiboladea & Uwuigbeb 2013; Khasharmeh & Desoky, 2013.
Age	Singh & Ahuja, 1983; Cowen et al 1987; Roberts, 1992; Choi, 1999; Haniffa & Cooke, 2005; Hossain & Reaz 2007; Parsa & Kouhy, 2008; Rettab et al 2009; Yao et al 2011; Abd-Rahman et al 2011; Bayoud et al, 2012; Abu-Sufian, 2012; Uyar et al 2013.

Previous studies as shown in Table 2.2 focused on examining the statistical relationship between a firm's characteristics and the level of CSED practices, through a set of research hypotheses derived from social theories. More specifically, the above studies revealed that “company size”, “type of industry”, “profitability”, “ownership”, “auditing firm” and “corporate age” are the factors most frequently identified in previous literature. Consistent with the above studies, this study will therefore address these same factors from a statistical perspective, based on the following reasons:

- (i) The majority of CSED studies have used the above determinants based on the different theories. This provides the possibility of comparison between previous research and this study, especially as it relies on stakeholder theory to justify CSED practices.
- (ii) Previous CSED studies have used statistical tests to interpret the relationship between firms' determinants and the level of CSED practices. Therefore, this study will also rely on statistical analysis to discover the impact of previous determinants on the level of CSED practices, given that this technique provides the possibility of obtaining more accurate data.
- (iii) There are a very limited number of studies - as far as the researcher knows- that have attempted to explain the impact of corporate characteristics on the level of CSED in a Jordanian context; thus providing this study with a motivation to examine and explain the impact of these factors on CSED practices, in order to discover the level of these non-financial practices in this developing country.

Below is a summary of findings of each of the above characteristics. The key question that could then be raised is: **Do a firm's characteristics determine the level of CSED in the annual reports of industrial companies operating in Jordan?**

2.4.4.4.1.1 Corporate Size

Corporate size is one of the most important internal characteristics to have been empirically tested in the vast majority of CSED studies. This variable was reported in the literature as one of the main factors potentially associated with the level of CSED, which may also have a direct impact on patterns of corporate reporting. It has been argued that, corporate size cannot be excluded when measuring the level and patterns of CSED (Gray et al, 2001). Ince (1998, p.55) criticized the study of Ness and Mirza (1991), which did not take into account the size effect on the level of CSED practices, when he claimed that:

“One needs to be careful in evaluating the conclusions drawn from Ness and Mirza's (1991) work. The reason for this is that, first of all, size effect was not taken into account in their study”.

Company size has been viewed and measured from different perspectives. For instance, Williams (1999), Hanafi (2006) and Naser et al (2006) used a firm's market capitalization to measure the impact of its size on level of CSED. On the other hand, there are a number of previous studies such as those conducted by Trotman and Bradley (1981), Cormier et al (2010), Yao et al (2011), Abu-Sufian (2012) and Chek et al (2013) which used total assets as means to evaluate a company's size. AbdurRouf (2011) and Uyar (2013) used total sales revenues and total assets as measures of company size, whilst Ahamed et al (2014) used number of employee and firm sales to measure the effect of firm size on the level of CSED. In contrast, Hackston and Milne (1996) used all of the above measures as a categorical variable to describe corporate size.

Despite the differences in the approach to company size, results from previous studies indicated that this is an important determinant of CSED practices. In particular, it has been found that large firms are more likely to make disclosures

on non-financial information than small-sized companies (Patten, 2002). In this regard, Hanafi (2006) argued that the reason is that:

“Super-large companies are significantly more likely to disclose more of all types of corporate social and environmental information. These companies are subject to more public scrutiny by virtue of their size; they receive more attention, and are under greater potential pressure” (p.229)

Indeed, reviewing the literature on the impact of a firm’s size on its CSED practices reveals mixed results, which typically varied between positive and negative associations. However, the majority of previous studies have found that the positive effect of corporate size on its voluntary disclosure is the dominant relationship (e.g. Trotman & Bradley, 1981; Cowen et al, 1987; Hackson & Milne, 1996; Gray et al, 2001; Hanafi, 2006; Ghazali, 2007; Hossain & Reaz 2007; Parsa & Kouhy, 2008; Yao et al, 2011; Wang et al, 2013; Uyar et al, 2013). In contrast, some studies such as those conducted by Singh and Ahuja (1983); Ng (1985); Roberts (1992); and Bayoud et al (2012) found that the firm’s size was not significantly associated with the level of CSED.

It could therefore be argued that such diversity in the relationship between the size of company and the level of CSED might be attributed to the differences in stakeholder pressure. According to Ince (1998), larger firms are subject to greater pressure from stakeholder groups than firms that have fewer stakeholders. Indeed, previous results supported stakeholder theory, which argues that firms seek to maintain good relationships with stakeholders and avoid their pressure, through meeting their need for social and environmental information (McWilliams & Siegel, 2001; Kakabadse et al, 2005). Therefore, this leads to the first key hypothesis:

H0₁: There is no relationship between corporate size and level of CSED practices in the annual reports of industrial companies operating in Jordan.

Ha₁: There is a relationship between corporate size and level of CSED practices in the annual reports of industrial companies operating in Jordan.

2.4.4.4.1.2 Type of Industry

The term industry type refers to the nature of business activity practiced by a company, which has been categorised differently in previous research (Hackston & Milne, 1996). With regard to the effect of industry type on the corporate voluntary reporting; a large number of empirical studies show that there is a strong possibility that the level of CSED practices is closely associated with the type of corporate activity (Gray et al, 1995a; Hackston & Milne, 1996; Gray et al, 2001; McGuire et al, 2003; Bayoud et al, 2012).

Despite this strong relationship, it is argued that this level of voluntary reporting varies across different types of corporate activity (Hackston & Milne, 1996; Waddock & Graves, 1997). For example, Hackston and Milne (1996) assert that there was variation in the level of disclosure based on the type of industry, more specifically, they argue that:

“[Some industries] such as extractive industries, are more likely to disclose information about their environmental impacts than are companies in other industries” (p.82)

Also, Bayoud et al (2012, p.13) added that:

“Companies in the oil sector are more focused on environmental issues, while companies in the food sector are involved more in community, health and food related CSER activities., while the manufacturing sector [disclose more information] about community, safety and health related to CSR categories.

From the above view, it can therefore be argued that the nature of the company's activity plays a significant role in determining the level of social and

environmental information disclosure. Studies have yielded mixed results; more specifically, several have indicated the existence of a positive relationship between type of industry and level of CSED practices (e.g. Singh & Ahuja 1983; Gamble et al, 1995; Gray et al 2001; Hanafi 2006; Ghazali, 2007; Parsa & Kouhy, 2008; Rizk et al, 2008; Bayoud et al, 2012; Wang et al, 2013).

Other studies found that the level and patterns of CSED were not on the same level of consistency. For example, Kelly (1981) found that there was some variance in the positive relationship between CSD patterns and types of industry, with primary and secondary industry companies tending to disclose environmental and energy-related information more than corporations engaged in the service industries.

In the same vein, Ness and Mirza (1991) found that there was a strong, specific relationship between the oil industry and CSD patterns. In another study, Gamble et al (1995) found that there was a correlation between the quality and patterns of CSED and the nature of a company's activity, especially in the sector of hazardous waste management. In this regard, Patten (1991) argues that the variations of CSED patterns are a result of the difference in firms' activities and stakeholder's needs.

Studies such as those conducted by Gamble et al (1995); Hackston and Milne (1996); Choi (1999); Newson and Deegan (2002); Hanafi (2006) and Yao et al (2011) examined the impact of different sensitive industries on the level of CSED, by classifying the industry into two types, depending on the activities practiced. These include: (i) industries operating in highly sensitive environments; and (ii) industries operating in less sensitive environments. These

studies, found that companies in environmentally sensitive industries tend to disclose more environmental responsibility information than others. Indeed, these results of the above-mentioned studies indicated that industries that are highly environmentally sensitive have a high number of CSER disclosures. In contrast, other researchers such as: Sahay (2004) and Ismail and Ibrahim (2009) found that the type of industry had no impact on the level of CSED.

This study therefore seeks to examine the effect on the level of CSED of different types of activity in Jordanian industrial sectors, which is classified into 10 sub-sectors based on the ASE. Thus, a broad research hypothesis that could be raised here is:

H0₂: There is no relationship between type of Industry and level of CSED practices in the annual reports of industrial companies operating in Jordan.

Ha₂: There is a relationship between type of Industry and level of CSED practices in the annual reports of industrial companies operating in Jordan.

2.4.4.4.1.3 Profitability of Firms

Studies that have addressed the impact of corporate profitability on social responsibility disclosure show an obvious variation. For example, Murray et al (2006) examined the relationship between profitability and CSD patterns related to environmental, community, employee and customer issues. Their sample included the top 100 companies in the UK sectors over 10 years. The results showed that there were variations in the correlations between profitability and CSD. The relationship between profitability and CSD was low from 1989 to 1992, and there was no evidence of a clear relationship between variables in the period of 1993-1997. Murray et al (2006) concluded that no direct relationship

between corporate profit and social disclosure was found over a period of 10 years.

In fact, the above result is consistent with the results of Cowen et al (1987), Belkaoui & Karpik (1989); Hackston & Maline (1996); Naser et al (2006); Ghazali (2007); Bayoud et al, 2012 and Uyar et al (2013). However, there are also a large number of contrasting studies, like those conducted by Singh & Ahuja (1983); Gray et al (2001); Haniffa & Cooke (2005); Hanafi (2006) and Hussainey et al (2011), who found existence of a significant relationship among these variables.

The findings indicate that the relationship between profitability and CSED practices is mixed. In fact, these differences in the results of the studies may be a sign of stakeholder pressure (Patten, 1991), or of the need for certain regulations imposed on business activities (Dierkes & Preston, 1977). In some cases, where studies did not find any relationship between CSED and profitability, it could reflect a weakness in methodology (Ullman, 1985).

Despite these contradictory results, corporate profitability is considered one of the determinants whose impact on voluntary disclosure decisions cannot be ignored. Logically, firms that have a strong economic edge (based on high profits) more often have a high number of voluntary disclosures, because they can drive social and financial performance simultaneously (Cormier et al 2005).

In this context, Ullman (1985, p.553) argues that:

“Economic performance determines the relative weight of a social demand and the attention it receives from top decision makers. In periods of low profitability and in situations of high debt, economic demands will have priority over social demands”

This leads to the following hypothesis:

H0₃: There is no relationship between corporate profitability and level of CSED practices in the annual reports of industrial companies operating in Jordan.

Ha₃: There is a relationship between corporate profitability and level of CSED practices in the annual reports of industrial companies operating in Jordan.

2.4.4.4.1.4 Corporate Ownership

According to Jensen and Meckling (1976), agency theory assumes a separation between a company and its shareholders, to attempt to reduce the conflict of interest among stakeholders. So that, each group of stakeholders has the ability to choose the optimal actions to reach its self-determined goals (Ince, 1998). Based on the above assumption, it could then be argued that there is a kind of compatibility between the assumptions of agency theory and stakeholder theory on the relationship between the firm and its stakeholders, which may influence corporate disclosures. In this respect, Smith et al (2005) write that:

“Ownership structure may influence the relationship between companies and stakeholders, and influence the level of quantity and quality of CSD” (p.131)

Haniffa and Cooke (2005), further underscore diversity of ownership structure as a key contributing factor to the reduction of the legitimacy gaps between firms and stakeholder. According to Freeman (1984), stakeholder theory is a model to achieve an appropriate balance among groups that have, or claim to have, ownership, rights, or interests in a corporation and its activities. Examining the relationship between corporate ownership structure and disclosure practice is one of the most critical issues and has been widely studied over the last 30 years (e.g. Teoh & Thong 1984; Andrew et al, 1989; Guthrie & Parker, 1990; Patten 1992; Gray et al, 1995; Haniffa & Cooke, 2005; Naser et al, 2006; Hossain & Reaz 2007; Ghazali, 2007; Rizk et al, 2008; Yao et al, 2011; and Wang et al, 2013).

Such studies have found that the relationship between corporate ownership structure and social and environmental disclosure was often positive. However, there are obvious differences in the levels of ownership influence among these studies. For example; Ghazali (2007) examined the effects of two different types of corporate ownership structure (director and government ownership) on the level of social disclosure established that, CSD practices were significantly affected by both director and government ownership. However, the government companies make more disclosures on their social activities than companies managed by directors.

Moreover, Naser et al (2006) examined the impact of governmental ownership, institutional ownership, and major shareholders on the level of CSED. The results demonstrated that, institutional and governmental ownership have an impact on the level of CSED, whilst ownership by major shareholders does not have a relationship with this.

In contrast, Andrew et al (1989) studied the impact of foreign ownership and local ownership on the level of CSED, and while they found positive relationships between ownership and the level of CSED. But, CSED is mostly associated with the larger and foreign-owned companies. Conversely, Haniffa and Cooke (2005) confirmed a significant relationship between firm ownership (Malay directors, Malay shareholders & foreign shareholders) and the level of CSD in the annual reports of Malaysian companies.

With regard to private and public ownership, Ahmed (2004) found that corporate private ownership makes more disclosures on its non-financial activities than corporate public ownership. Similarly, Rizk et al (2008) found the level of CED

is significantly more affected by private companies than by corporate government ownership. In this context, Rizk et al (2008) argue that: “*Increased environmental disclosure by private companies is a strategy employed by Egyptian organizations to ensure/maintain their organizational legitimacy*” (p.321)

Arguably, a diverse ownership structure reflects the variety of stakeholder perceptions of CSER disclosure (Ghazali, 2007). More specifically, the diversity of ownership structure encourages firms to engage voluntarily with more social and environmental disclosure. In this regard, Yao et al (2011) argue that firms that have a more diversified ownership structure demonstrate greater “*willingness to [disclose] their CSER information with the public*” (p.25). Moreover, Roberts (1992) and Ullman (1985) argue that firm ownership concentrated in the hands of a few people might have a negative consequence on the firms' interests.

Based on the sample in this study, ownership of industrial companies operating in Jordan can be classified into two different structures of ownership, namely: (1) local-owned firms and (2) foreign-owned firms. As such, two-research hypotheses raised here are:

H0₄: There is no relationship between ownership structure and level of CSER in the annual reports of industrial companies operating in Jordan.

Ha₄: There is a relationship between ownership structure and level of CSER in the annual reports of industrial companies operating in Jordan.

And:

H0₅: There is no significant difference in the level of CSER practices between local-owned firms and foreign-owned firms.

Ha₅: There is a significant difference in the level of CSER practices between local-owned firms and foreign-owned firms.

2.4.4.4.1.5 Type of Audit Firm

According to Hussainy et al (2011), choosing an audit firm type is one of the critical factors that determine a company's disclosures and is based on its role in explaining differences in corporate disclosures. In fact, the essential role of audit firms in relation to compliance with regulatory requirements of corporate reporting has been widely discussed in previous research. For example, Khasharmeh and Desoky (2013) argue that, “...an auditing firm may have a significant role to play with respect to the amount of information disclosed by the company” (p.47). Hail (2002) also observes that audit firm type is an important factor in improving firms’ reporting.

Although auditing is still considered an important factor to ensure the required level of information is disseminated to the stakeholders (Owusu-Ansah, 1997), Hussainy et al (2011) argue that the many studies that have examined the relationship between auditing type and CSED have found mixed results. The majority have indicated that international audit firms such as; Big-4 audit firms have a more significant influence on the level of CSED than local audit firms (e.g. Choi, 1999; Chau & Gray, 2002; Xiao et al, 2004; Haniffa & Cooke, 2005; Hussainy et al, 2011; and Uyar et al, 2013). In contrast, other studies have found that there is no relationship between audit type and CSED practices (Hossain et al, 1995; Barako et al, 2006).

Auditing services to the companies operating within the context of Jordan can be classified into two auditor groups: local auditing firm and international auditing firm (ASE, 2013). As such, Big-4 firms can be used to represent international auditing firms for two reasons: (i) because they are considered the biggest

international firms who have wider activity in the Jordanian economic environment; (ii) Big-4 firms were often used in previous studies as a measure of auditor type, meaning a comparison is easily made (Xiao et al, 2004; Hossain et al, 2006). Consequently, two research hypotheses could be raised here:

H0₆: There is no relationship between type of audit firm and level of CSED practices in the annual reports of industrial companies operating in Jordan.

Ha₆: There is a relationship between type of audit firm and level of CSED practices in the annual reports of industrial companies operating in Jordan.

And:

H0₇: There is no significant difference in the level of CSED practices between firms audited by Big-4 and firms audited by non-Big-4.

Ha₇: There is a significant difference in the level of CSED practices between firms audited by Big-4 and firms audited by non-Big-4.

2.4.4.4.1.6 Company Age

Company age is measured by two different times in the literature, namely: (i) the establishment date; (ii) the listing date on the stock exchange. In this study corporate age refers to the actual time the firm started their business operations. Indeed, this is because the selection of the establishment date as a measure of company age may yield very different age categories.

Many studies have used the age of the firm as one of the most important factors to affect the level of social and environmental disclosure in annual reports (e.g. Singh & Ahuja, 1983; Roberts, 1992; Hossain & Reaz 2007; Parsa & Kouhy, 2008; Rettab et al, 2009; Yao et al, 2011; Abd-Rahman et al, 2011; Bayoud et al, 2012; Abu-Sufian, 2012).

In fact, most have pointed out that the firm's age may help to explain the level of voluntary disclosure among companies. However, the literature on CSR provides mixed results. For example, some studies such as those conducted by Choi (1999); Gray et al (1996); and Bayoud et al (2012) found that a positive relationship between level of CSED and company age existed. They also agreed that the older companies make more disclosures than smaller ones.

In contrast, other studies like those conducted by Singh & Ahuja (1983); Roberts (1992); Haniffa & Cooke (2005); Hossain & Reaz 2007; Parsa & Kouhy (2008); Yao et al (2011); Abu-Sufian (2012); Uyar et al (2013) found that no relationship between level of CSED and company age. Hence, the discussion above may lead us to raise the following hypothesis:

H₀: There is no relationship between corporate age and level of CSED practices in the annual reports of industrial companies operating in Jordan.

H_a: There is a relationship between corporate age and level of CSED practices in the annual reports of industrial companies operating in Jordan.

2.4.4.4.1.7 Type of Financial Market

The financial performance indicators (e.g. ROA, ROE, ROS) are the main factors used in CSR literature to explore the underlying relationship between firms' corporate financial performance and the level of CSED among listed firms (e.g. Roman et al, 1999; McWilliams & Siegel 2000; Rowley & Berman 2000; Orlitzky et al, 2003; Graafland & Smid 2004; Uwuigbe & Olayinka, 2012; Barnett & Salomon, 2012; Bayoud et al, 2012).

Although Return on Equity (ROE) is one of the key indicators that will be used to analyse the level of CSED in corporate annual reports, the current study will

also adopt on the classification of ASE for the industrial companies operating in Jordan as an internal factor is compatible with the nature of the study data. Indeed, the classification of ASE for Jordanian listed companies into two markets is based on the size of the contribution of each company in the local market. The first market represents the best financial performance of companies; the second market tends to be the medium and the smaller size companies in terms of financial performance in ASE.

Based on the classification above, this study intends to employ these financial markets as one of the internal factors of Jordanian firms that can affect the level of social and environmental information in the annual reports. Thus, two broad research hypotheses could be raised here:

H₀₉: There is no relationship between types of financial market and level of CSED practices in the annual reports of industrial companies.

H_a₉: There is a relationship between types of financial market and level of CSED practices in the annual reports of industrial companies.

And:

H₀₁₀: There is no significant difference in the level of CSED practices between firms listed in the first market and firms listed in the second market.

H_a₁₀: There is a significant difference in the level of CSED practices between firms listed in the first market and firms listed in the second market.

2.4.4.4.2 External factors (local contextual factors)

According to Deegan et al (2000), the practices of corporate voluntary disclosure vary widely between companies operating in each country. This variation in corporate practices might be related to external factors surrounding an organization such as: the political or legal system, cultural dimensions, and economic conditions. In fact, several studies such as those conducted by Williams (1999); Adams (2002); and Ahmad (2004) argue that the country's

effect on such practices requires further investigation on an international level. To this end, this section investigates whether the local political, economic, socio-cultural and legal systems are relevant in determining the level of CSED practices in Jordan.

Although the majority of CSER studies generally focus on analysing the relationship between level and nature of disclosures and corporate characteristics; the existing literature has also provided some concrete evidence about the impact of a country's national factors on the firm's behaviour towards CSED. For instance, there are a number of previous studies by Burchell et al (1985); Williams (1999); Ahmad (2004); and Bayoud (2013) that have investigated the relationship between political-social systems and CSED practices. One factor that may also influence voluntary disclosure is the legal system (e.g. Ahmad, 2004; Adelopo et al, 2013). Some researchers argued that cultural values could determine the practices of CSED (e.g. Ahmad, 2004; Bayoud, 2013). Furthermore, economic context is also used to assist in explaining differences in corporate voluntary disclosures (Williams, 1999).

Having briefly reviewed the determinants of CSED practices across relevant literature; this study seeks to analyse the stakeholders' perceptions of local contextual factors that might be significant determinants on CSER information supplied by industrial companies operating in Jordan. This raises the following question: **What are the stakeholders' perceptions on the effect of contextual factors for reporting of CSED practices by the industrial companies operating in Jordan?**

Table 2-3 Previous studies' on the effect of national factors on CSED

External Factors	Prior Studies
Political system	Williams, 1999; Adams, 2002; Ahmad, 2004; Hanfi, 2006; Orij, 2012; Adelopo et al 2013; Bayoud, 2013.
Legal system	Williams, 1999; Belal, 2001; Ahmad, 2004; Orij, 2012; Adelopo et al 2013.
Cultural values	Williams, 1999; Adams, 2002; Ahmad, 2004; Hanfi, 2006; Orij, 2012; Adelopo, 2013; Bayoud, 2013.
Economic system	Williams, 1999; Archambault & Archambault, 2003; Ahmad, 2004; Bayoud, 2013.

2.4.4.4.2.1 Political system

“Political factors, like political system types and international organizational membership, are significantly linked to the accounting practices” (Goodrich 1986; cited in Bayoud, 2013, p.3)

One of the most important factors that may also influence corporate disclosure practices is the political system (Williams, 1999). The degree of political rights and civil liberties of any country may reflect the reality of corporate practices towards more voluntary disclosures within that country (Bayoud, 2013). This is consistent with the argument of Alhashim and Arpan (1992) who asserted that the accounting system of a country is directly affected by existing political conditions and government stability, as is the case in Libya.

The political system is thus considered to be one of the most important external factors in explaining the differences in corporate disclosures practices (e.g., Burchell et al, 1985; Adams & Harte, 1998; Williams, 1999; Adams, 2002; Ahmad, 2004; and Bayoud, 2013).

In fact, to the best of the researcher's knowledge, there are no mixed results on the relationship between political system and corporate voluntary reporting in the existing literature. Specifically, results indicate that there is a positive; for instance, in the Asia-Pacific Region, Williams (1999) examined the relationship

between political systems and the level of CSED practices. This study covered 356 annual reports for listed companies in Australia, Singapore, Hong Kong, the Philippines, Thailand, Indonesia and Malaysia. The results indicated that political system of these countries significantly determines the level of CSED practices.

2.4.4.4.2.2 Legal system

Douppnik and Salter (1995, p.195) write that:

“The legal system is a part of the institutional framework with which the accounting system is likely to interact. The legal system influences the way in which accounting rules are promulgated, which in turn could influence the nature of the rules themselves”.

From the above quotation, it could be understood that the country’s legal system has an important role to play in regulating corporate disclosure practices which may include CSER disclosures (Douppnik & Salter, 1995). According to Gray et al (1995a) legal system is the most efficient way of promoting corporate responsibility towards implementing CSR disclosures on benefits and compensations accruing to employees, local community and environment. Thus, it is opined that legal system is a determinant of corporate disclosures of any country (Hope, 2003).

Adelopo et al (2013) examined the impact of legal context on CSER disclosures by large banks in fourteen Western European countries. Their findings indicated a positive impact of the legal system on corporate voluntary practices in this context. Indeed, this is consistent with Hope (2003) who found that firms that operate within the legal contexts tend to be more responsible than firms with unstable legal contexts.

In contrast, Williams (1999), Belal (2001) and Ahmad (2004) failed to find a positive relationship between the legal standards and level of CSER practices in

their country. Ahmad (2004) investigated managers' perceptions regarding the effect of legal factors on reporting of environmental information, by using a questionnaire survey. However, the researcher argues that a scarcity of legal standards and guidelines in the Libyan context are the reason for the negative relationship between the legal system and corporate environmental practices.

2.4.4.4.2.3 Cultural values

It has been argued that, to get a deeper understanding of the behaviour of any country, it is important to know first about the internal characteristics of that society, which include religion, language, ethnicity, and education (Belkaoui, 2000; Belal 2001). In other words, culture is an essential characteristic of any certain society and plays an important role in influencing the behaviour of individuals and organizations that operate within that society (Perera, 1989).

Cultural values are also reported in accounting literature as one of the external factors that affect many accounting practices in general and voluntary disclosure in particular of any country (Hofstede & Bond, 1984; Williams, 1999; Belal, 2001; Adams, 2002; Ahmad, 2004; Askary, 2006; Hassan, 2010; Orij, 2012; Adelopo, 2013). Askary (2006, p.102) argues that:

“Culture in different societies can strongly impact national accounting systems a likely causal factor of different national accounting practices in accord with differing national cultures”

In an international comparative study, Orij (2012) tested the impact of cultural values on corporate social level in the largest 600 corporations from 22 countries. The results indicated that there is a positive relationship between CSER disclosure and national cultures, consistent with Williams (1999); Ahmad (2004); Orij (2010); Hassan (2010); and Bayoud (2013) who found that the culture is one

of the national factors that help to explain the differences in social and environmental disclosures. However, by using content analysis Adelopo (2013) found no relationship between individualism-collectivism cultural dimensions and CSER reporting.

2.4.4.4.2.4 Economic Situation

A country's economic system has been defined as an integrated plan for managing all financial affairs and to regulate institutional work, along with the supervision of the decision-making structures. Therefore, given that the economic system can be considered as one of the local contextual factors that could determine the level of a country's development, over the years it has received great attention.

Accounting literature has also taken into account how the economic context can affect corporate practices and voluntary practices in particular. The economic system of any country can be considered one of the general contextual factors that could determine the firm's behaviour towards disclosure practices (e.g. Cooke & Wallace 1990; Adhikari & Tondker 1992; Williams, 1999; Hassan, 2010; Belal & Roberts, 2010; Orij, 2012; Bayoud, 2013; Adelopo, 2013). The results of the above studies have been mixed; for example, some provided positive results on this relationship, and these include the studies of Ahmad 2004; Orij, 2012; Bayoud, 2013; Adelopo, 2013. In contrast, Williams (1999) was unable to explain the relationship between social and environmental practices and economic development in his research.

The challenge therefore is: **What are Jordanian stakeholders' perceptions with regards to the external factors that affect the level of CSED practices?**

2.5 Summary

This chapter has reviewed the emergence of philosophical foundations underpinning corporate social disclosure and the necessity of CSED theories to explain the corporate voluntary practices in section two. The main patterns and extent of CSED practices as reported in the literature were also discussed within section two. This chapter has also discussed the definition, motivations and dimensions of CSER activities, and also reviewed the classification of stakeholders based on their power to influence and the importance of stakeholder dialogues to satisfy the demands of different stakeholders interested in a corporation in section three. Section four discussed the definition, types and determinants of corporate disclosure practices in general, and CSED practices in particular; while the conclusion of this chapter was reviewed in section five.

The next chapter which is chapter three will discuss the importance of analysing the environment surrounding corporate practices and review relevant literature on CSED practices within the Jordanian context.

**Chapter Three: Jordanian Experience of Social and
Environmental Responsibility**

3.1 Introduction

Accounting literature has provided much evidence of the importance of analysing the environment surrounding corporate accounting practices. Several studies also showed that a company's accounting system could be affected by external factors such as: political and economic issues, legal systems and the cultural values of each country (e.g. Gray, 1988; Adhikari & Tondkar, 1992; Doupnik & Salter, 1995; Ali & Ahmed, 2007; Al-Akra et al, 2009).

In fact, the majority of the above studies indicate that the differences in accounting practices among various countries lies with (i) improving understanding of the complex realities of accounting practices, especially the impact of environmental factors; and (ii) providing useful information in order to solve the accounting problems faced by those countries.

With respect to the relationship between environmental factors surrounding voluntary initiatives of CSED practices, many researchers indicate that companies in developing countries continue to face challenges attributable to the lack of attention paid to empirical investigation into external factors influencing CSED practices (e.g. Wallace, 1987; Mathews, 1993; Williams 1999; Brammer & Pavelin, 2004; Abu-Raya, 2012). Wallace (1987) argues that:

“The conditions and problems of disclosure of accounting information in developing countries cannot be adequately appreciated if there does not exist a full knowledge of the general environment from which such disclosures emanate and of the different kinds of factors which influence that environment. Disclosure of accounting information is a product of, and a factor in, the formation of the cultural, political and economic environment of the country from which it originates” (p.42).

Although the above quotation was written in 1987, it is still relevant in explaining the impact of the economic, political and legal systems and the cultural context which affect corporate practices in all their forms. However, Ahmad (2004) argues that, there are currently few studies address the above factors, especially in developing countries, when compared with their counterparts in developed countries. According to Kisenyi and Gray (1998):

“Whilst we are steadily learning more about social and environmental accounting and disclosure practices in the English-speaking and European countries, we still know too little about practices in ex-colonial, smaller and/or emerging countries” (p.16).

With this brief background, political, legal, economic and cultural systems are the main factors that have influenced accounting information systems in many countries. Hence, the purpose of this chapter is to provide an overview of the history and background of Jordan, and to investigate external factors in the Jordanian business environment in order to gain a better understanding of Jordan's present CSER practices, as developing country.

3.2 Political System

The political system is one of the local contextual factors that may influence the accounting system in general, and corporate practices in particular. According to Dong et al (2007) the corporate assessment process requires more attention to be paid to the domestic political-legal context as one of the external factors that determine its activities and practices. From this, the political context represents an ideal working environment in this investigation that can support corporate voluntary practices in Jordan. Therefore, this section will deal with the relevant literature on corporate voluntary practices by reviewing the Jordanian political context.

3.2.1 Geography of Jordan

Jordan⁶; is one of the youngest countries in the Middle East⁷. It so named because it lies to the east of the Jordan River; which flows into the lowest part of the world (the Dead Sea). The Jordan River is currently considered the administrative border between Jordan and Israel (West Bank), while the other border is an extension of the Sham desert with the An Nafud desert among Iraq, Syria and Saudi Arabia (Mardini, 2012).

Jordan is a small country in terms of area and population. It is located at the confluence of Europe, Asia and Africa (Omer, 2007). As shown in Figure 3.1, with a surface area of 89,287,000 km, it is bordered on the east and south by Saudi Arabia, on the north by Iraq and Syria, and on the west by Israel. More than 75% of the landmass of Jordan is made up of desert, which stretches from the Saudi and Iraqi border. The Gulf of Aqaba is Jordan's only sea port, where the waterfront does not exceed 26 km (Al-Shiab, 2003; DOS, 2013).

Figure 3-1 Jordan region



⁶ Its is also called The Hashemite Kingdom of Jordan (HKJ)

⁷ World Bank (2012), Middle East includes: Bahrain, Iran, Iraq, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi, Syria, UAE and Yemen. Available at: <http://iea.org/co2highlights/co2highlights.pdf>.

3.2.2 Population

According to the latest statistics from the Department of Statistics (DOS, 2013) in Jordan, the current population is (6,963,309). 83% live in urban areas, while the remainder live in the desert and rural areas. The ratio of males to females is almost equal; males constitute 52% and females 48% of the population. Jordan also has one of the youngest communities in the world. The statistics also indicate that 38% of the population is under the age of 14, while only 3% is over the age of 65 (Samman, 2000; DOS, 2013).

Internal migration from rural areas to cities is considered one of the main factors that have led to this demographic change. For example, Amman is the largest city in Jordan with a population of around 2,473,400, with 39% of the total population. The remaining population lives in 11 cities (Khamis 1998; Mardini, 2012).

The latest survey by DOS (2013) suggests that there has been a rapid increase in population from 1.5 million in 1970, to around 6.4 million in 2012. According to Mardini (2012, p.23) this rapid increase in population can be attributed to:

“the combination of a high birth rate and a low mortality rate together with an influx of political refugees from religious and other conflicts in neighbouring countries such as Palestine, [Syria], Iraq and Lebanon”

As a continuation to the above discussion, this section provides an analysis of the population growth in Jordanian society, with reference to the most influential historical events.

Table 3-1 Historical population of Jordan

Year	Population	±%
1950	586,200	None
1960	900,800	+53.6 %
1970	1,508,200	+67.4%
1980	2,233,000	+40.0%
1990	3,468,000	+55.3%
2000	4,857,000	+40.0%
2010	6,113,000	+25.8%
2012	6.388,000	+0.05%

According to the United Nations Relief and Works Agency (UNRWA) in 2012, Jordan is the only country in the world to host a large number of Palestinian refugees during varying periods of the Arab-Israeli political conflict. For example, during the first Arab-Israeli war in 1946, approximately 500,000 Palestinians were displaced to neighbouring regions, with Jordan receiving a large influx of the refugees. Within a few years, Jordan witnessed a major increase in the natural growth of population of 53.6%, due to most of the refugees obtained citizenship rights during the 1950s (Michal et al, 1997; Mardini, 2012).

In 1967, Jordan hosted another substantial wave of Palestinian refugees during the second Arab-Israeli war, when Israel occupied the West Bank and Gaza Strip. According to the UNRWA (2012), that influx transformed Jordan's demographic structure, by tipping the balance in favour of Jordanians of Palestinian origin, which comprise an estimated 55% to 65% of the population (Jeremy, 2013). DOS (2013) also indicate a significant increase in the annual rate of population growth, which reached 67.4% during the 1970s.

In 1990, following Saddam Hussein's invasion of Kuwait, this scenario was repeated during the Gulf War, which caused the misplacement of 350,000

Jordanian working in Kuwait. This huge misplacement of mostly young people increased the birth rate by 55.3% (Haddad, 2005; Mardini, 2012; DOS, 2013).

Today, as a result of a widening circle of conflict in the Middle East region (Arab Spring), significant numbers of Arab refugees have moved to Jordan. For example, the latest statistics indicate that the number of Syrian refugees has reached 1,282,424 (Al-Rai, 2013). Additionally, the United Nations High Commission for Refugees (UNHCR, 2012) states that there are 750,000 refugees from Iraq living in Jordan.

Although Jordanian society's demographic diversity has led to an improvement in social-cultural life, this population change has also caused some imbalances within the economy and had a major structural effect on the resources available. Consequently, this contributed to a rapid rise in the burden of external debt, due to the high costs of providing adequate services (Maghyereh, 2001). This negative position has drawn attention from the Economist Intelligence Unit (1990), which stated that *"the economic situation in Jordan is so bad; Jordan is facing rising unemployment, high inflation and frozen salaries"* (p.4).

3.2.3 Political History

Since the beginning of history, the Middle East region has witnessed a great deal of conflict in the struggle to control its wealth and strategic importance as a trade link between the three continents of Asia, Europe and Africa (Al-Shiab, 2003; Al-Akra et al, 2010). The Middle East was under the control of the Roman Empire until Islam liberated it in 636 AD; it was then ruled by the Islamic Caliphate until the fall of the Ottoman Empire, the last of the empires in that region (1299-1918).

With the beginning of the collapse of Ottoman rule (due to the spread of injustice and corruption), the Arab leaders and British government agreed to abolish Ottoman rule (Abu-Baker, 1995). British forces contributed significantly to ending Ottoman rule by providing military support to the Arabs. The Levant independence declaration was in 1918, after which British forces decided to divide the Levant into two parts: (i) Jordan and Palestine, under British mandate; (ii) Syria and Lebanon, under French mandate (Al-Momani, 2003). In 1921, the establishment of *Transjordan* was declared, with Amman as its capital. Abdullah Bin Al-Hussein was installed as the Prince of Jordan.

In 1946, Britain announced the end of the mandate and the declaration of independence. The name of the state became the Hashemite Kingdom of Jordan, and Abdullah Bin Al-Hussein was installed as King (Abu-Baker, 1995; Hutaibat, 2005). King Abdullah took responsibility for the administration of Jordanian affairs until he was assassinated in 1951 in the Al-Aqsa Mosque in Palestine. Following the assassination, Prince Talal Bin Abdullah took over rule of Jordan, but his rule was short and he abdicated in 1952 due to health reasons. The throne was passed to King Hussein Bin Talal under the supervision of the Regency Council until he reached legal age to rule the country in 1953. King Hussein accomplished a series of achievements and administrative services before he passed away in 1999 (Haddad, 2005; Al-Momani, 2005; Mardini, 2012).

King Abdullah II took his on constitutional role in 1999, devoting himself to serving his people and his country, and to completing the task of improving the future prospects of Jordan through moderate Arab thought, gained during his education in the USA and UK (Al-Momani, 2005). His Majesty believes in the wealth of Jordan through investment in knowledge, because it is the main factor

in the development process. In light of Jordan's suffering due to a scarcity of natural resources, his Majesty focused on the key local challenges facing infrastructure development in Jordan, such as education, health, human rights, industry and tourism (Haddad, 2005). Over the past 15 years, Jordan has pursued structural reforms towards improving the conditions for greater public private partnerships in infrastructure, and financial reforms, including improvement of tax administration and management (RHC, 2012).

Within this discussion, it is further argued that the accounting practices within their historical context need to be reviewed to reflect current realities in how the corporate disclosure practices influenced by the country's historical events (Ahmad, 2004). In the context of Jordan, although political history shows post-colonial countries have been left with many ideas about the reciprocal antagonism between coloniser and colonised, they have also frequently been bequeathed a set of cultural components and ethical values that could enrich the process of accounting practices (Kamla, 2007). Kamla (2007) argues that: *“Postcolonial., allows us to realise how the colonial experience has affected the coloniser and the colonised, a realisation that helps in linking their experiences and potentially creating a common ground for developing a universal framework for global accounting/social accounting, where transactive and transcultural interactive dialogues form the basis for communication” (p.111).*

According to Briston (1990) and Cleveland (1994) cited in Kamla (2007), the majority of countries formerly under the rule of colonial states found that following independence, their professional accounting bodies and legislation are based on Western models. For example, in Jordan, a number of the old British

laws are still in use, although they have been modified. These include: Trademark Law in 1930, the insurance companies Act (24) in 1959, the law of control of companies No (5) in 1965, the insurance companies Act (76) in 1956 and law irregularities of Jordan (36) in 1944 (Haddad, 2005; LOB, 2013).

3.2.4 Jordanian Government

The prevailing monarchy oversees the transition of power within the Royal Family. Therefore, the King is supreme commander within the state, and he may exercise his powers by appointing individuals and bodies responsible for the management of the country in three authorities, namely legislative, executive and judicial (RHC, 2012).

The Legislative Authority is represented within the National Assembly, which is divided into two parts: the first is elected, and the second is appointed by the king. The mission of this authority is to repeal, enact, or amend laws and monitor the performance of the Executive Authority. Whilst the Executive Authority is the body delegated to implement laws passed by the Legislative Authority and organizing the affairs of citizens, it is represented in the Council of Ministers. Finally, the Judiciary Authority is appointed by Royal Decree, and includes three categories of courts: the civil, religious and special, which is based on imposing law and justice (Khamis, 1998; Al-Shiab, 2003; Hutaibat, 2005).

Administratively, Jordan is divided into 12 cities, each headed by a Governor, who is appointed by the King. They are the sole authorities for all government departments and development projects in their respective areas: Amman, Ajlun, Aqaba, Balqa, Karak, Mafraq, Tafilah, Zarqa, Irbid, Jarash, Ma'an and Madaba.

Therefore, from the preceding sections, the Jordanian political system can be considered one of the local contextual factors that influence CSED practices. Thus, the research question to be raised here is: **What are the perceptions of stakeholders regarding the impact of political context on CSER disclosures by the industrial companies operating in Jordan?**

3.3 Legal system

Traditionally, the legal system of any country of the world has been classified into common law or code law (Salter & Doupnik, 1992). Common-law countries are those that have the ability to resolve their disputes using judges and precedents from judicial decisions to shape their laws, like the UK and USA. Those countries are characterised by their ability to formulate regulations that control the accounting practices of the private and public sector and stakeholder protection. Those countries also rely on capital markets as a dominant source of financing (Archambault & Archambault, 2003). In contrast, Code-law countries, like Jordan are those which rely heavily on comprehensive written instructions which cover areas that were not dealt with by the legal system when the code was first devised by legal scholars. Those countries are characterised by a reliance on banks for financing for commercial projects (Porta et al, 1998).

Jordan is classified as a code law country (ROSE, 2005), and therefore its legal system is a constitutional monarchy that consists of a set of legal texts promulgated in 1952. Its present form is derived Islamic principles, English common law and French codes. Therefore, the legal system of Jordan is a combination of Western civil laws and Islamic principles (Abu-Baker, 1995).

With respect to commercial laws that regulate accounting practice, we can say that the legislation is not new to Jordan as Islamic history indicates that Muslims used the Method of “*Merdiban*⁸” during the 8th century (Guvemli & Guvemli, 2007, cited in Al-Akra, 2010). Zaid (2004) argues that with the establishment of the Islamic state, Muslims adopted Shariah principles that were applied in their financial transactions from the 7th-19th Century during the Ottoman Empire, which contributed to the development of the accounting system under the name of the Ottoman commercial code, enacted in 1849-1850. This law remained effective until it was replaced following independence by the first Companies Law, which was applied to Jordan in 1964 (Al-Akra, 2010).

As a model of the law states, Jordan has adopted a set of business reforms in order to improve economic and investment. For example; (i) creating an appropriate environment to attract investment; (ii) trade liberalisation through Jordan's membership of the WTO; (iii) property rights reform and policy of privatisation; (iv) expansion of participation with the private sector in implementing projects; and (v) improving the level of corporate reporting (Abu-Baker, 1995; Al-Akra et al, 2009). These reforms have significantly influenced the accounting regulation and disclosure practices in Jordan (Al-Akra et al 2010).

Some researchers argue that the development and application of a legal system of any country might have a significant impact on accounting practice as one of the factors influencing management decisions regarding fair presentation, transparency, and full disclosure (Adhikari & Tondkar, 1992; Mashayekhi & Mashayekhi, 2008). Therefore, from the preceding sections, one broad research question which could be raised is: **What are the perceptions of stakeholders**

⁸ Merdiban is an accounting method used by Ottomans for 500 years in the Middle East until 1880s.

regarding the impact of the legal context on CSER disclosures by the industrial companies operating in Jordan?

3.4 The Cultural Values

Cultural values have increasingly been recognised in accounting literature as one of the external factors that affect many accounting practices in general and corporate reporting in particular of any country (e.g. Hofstede & Bond 1984; Nobes 1984; Gray, 1988; Jaggi & Low, 2000; Askary, 2006). Gibbins et al (1990) argue that the cultural value of organization provides some justification for disclosure of accounting practices, for example: (i) to support the efficiency of exchange and production among organizations; and (ii) to show their compliance with social values towards regulations and informal norms. Therefore, it can be understood that there is a relationship that is not immediately visible between social-cultural values and accounting practices, meaning it could have a positive impact on management behaviour regarding CSR activities. In this context, this section provides an overview of the relationship between Jordanian culture and CSER disclosures.

Cultural values are an essential element in understanding how societal behaviours can bring about substantial changes in an organization's decisions regarding accounting practices (Perera, 1989). Askary (2006, p.102) argues that:

“Culture in different societies can strongly impact national accounting systems - a likely causal factor of different national accounting practices in accord with differing national cultures. The cultural environment is generally acknowledged to be a national (or regional) system comprising language, religion, morals, values, attitudes, law, education, politics, social organisation, technology, and material culture. The interactions of these cultural elements on accounting are expected to be exceedingly complex”.

Therefore, before discussing cultural values in Jordan, we should first define what these values are. According to Hofstede (1997) the cultural values are “*the collective programming of the mind which distinguishes the members of one group or category of people from another*” (p.5). In another definition by Schwartz (1994) as cited in Kang et al (2004) cultural values are:

“...those values likely to be important in societies based on close-knit harmonious relations, in which the interests of the person are not viewed as distinct from those of the group. All of these values emphasize maintenance of the status quo, propriety and avoidance of actions or inclinations of individuals that might disturb the traditional order. These are socio-centric values, appropriate in settings where the self lacks autonomous significance but has meaning as part of the collective. Cultures that emphasize conservatism are primarily concerned with security, conformity and tradition” (p.5)

The culture of Jordan is a combination of Arab-Islamic principles (Sharia Law) established over many centuries, and modern Western cultures, developed over recent decades during the Jordanian colonial period. Jordanian's cultural diversity is now reflected in many aspects of cultural life (Al-Akra et al, 2009). The Jordanian community can be seen to have benefited from a co-existence between these cultures, which has created two types of cultural models. These include: **(i)** Traditional Islamic Tribal Model, which is based on village and rural life and is strongly influenced by tribal ideals; and **(ii)** Modern Western Culture, which is considered more urbanised from the tribal culture model (Khamis, 1998).

The Jordanian culture is influenced by Arab and Islamic culture, based on literary and moral standards derived from Muslim texts of the Holy Quran for all Muslims. However, Khamis (1998, p.68) argues that: “*Not only is Islam the main religion of the country but it is also an established aspect of the culture of the country*”.

However, Abu-Baker (1995) argues that Islamic principles are not the only prevailing thought in Jordan as there are political parties which embrace a number of ideologies based upon Socialism, Marxism and Secularist thought. Additionally, the cultures of non-Muslim minorities are also considered an important aspect of Jordanian culture.

Even though Islam is the predominant religion for the vast majority of the population (Muslims constitute 92% of the population, 6% are Christians, while 2% are Circassians, Chechens, Armenians and Druze), the ethnic and religious diversity of the country means the constitution guarantees complete freedom for all citizens to practice their religious ceremonies and traditions. They have a right to choose to be educated in a language other than Arabic, which is considered the official language of the country (Khamis, 1998; Al-Shiab, 2003).

However, this diversity of ideologies does not negate the importance of the Arabic language in forming the personality of Jordanian society, as it remains an extensively popular way for various ethnic groups to exchange cultural values, under one umbrella. In this regard Khamis (1998) argues that:

“the Arabic became the most fundamental and stable element of the Jordanian culture, a matrix which has shaped people's particular ways of feeling, thinking and acting; The importance of the Arabic language can scarcely be overestimated; it is not only a medium of expression or the fundamental human mass medium, but it is also the language of the Koran and the mass medium through which all other media speak” (p.69).

Although, there is a vast diversity of cultures and ethnic backgrounds within Jordanian society, the fact of the matter is that: *“Jordanians are quite conservative in their social way of life”* (Helles 1992, p.116). In this context, Beard and Al-Rai (1999) argue that the community of Jordan is a collective

society based on strong Arab traditions that tend toward confidentiality in disclosure requirements. In conjunction with this, individualistic societies are likely to disclose more information because people in more individualistic societies tend to be more competitive and less secretive (Jaggi & Low, 2000). Under the above discussion, the question which could be raised about stakeholders' perceptions is: **What are the perceptions of stakeholders regarding the impact of Jordanian cultural values on CSER disclosures by the industrial companies operating in Jordan?**

3.5 Economic System

Accounting literature states that the economic system of any country can be considered one of the general contextual factors that could determine a firm's behaviour towards disclosure practices (Cooke & Wallace 1990; Adhikari & Tondker 1992; Williams, 1999; Hassan, 2010; Belal & Roberts, 2010; Orij, 2012; Bayoud, 2013; Adelopo, 2013). Therefore, in a country like Jordan, the potential economic impact on CSER disclosure requires closer examination.

Jordan is classified as a middle-income country, with a per capita income of \$US 4,945 (World Bank, 2013). The Jordanian economy as an emerging and sensitive economy is deeply affected by external conditions, such as the global political situation and the movement of foreign markets (Maghyreh, 2001; Haddad, 2005; Central Bank, 2011). Furthermore, a set of internal factors are considered the main determinants of Jordan's wealth creation. These include, such as; (i) the continuous disturbances of the Middle East (Suwaidan, 1997); (ii) limited space within the agricultural sector, which amounts to just 10% of the total land area (Ministry of Agriculture, 2013); (iii) the scarcity of water resources, which

makes Jordan as the second water-poorest country in the world (International Report for Water Development 2014). As a consequence of these factors, Jordan is in a position of economic dependency with friendly countries, resulting in significant reliance on those countries to provide aid and international loans. In this regard, Maghyereh (2001) argues that:

“The relatively small size of the economy and its limited natural resources has forced Jordan to develop strong external economic and financial relations to cover its economic development needs. The level of economic activity in Jordan tends to be greatly affected by these relations. Important indications of this relationship are foreign trade with neighbouring Arab markets, foreign financial assistance (aid and grants), and remittances from Jordanian expatriates, particularly from the Gulf countries. The result of this dependence on external relations has been a vulnerability of the economy to exogenous factors beyond the control of the economy itself” (p.13)

However, Suwaidan (1997) argues that these indicators are not impressive, and reflect a number of negative aspects such as; (i) the limited oil resources; (ii) small domestic market; and (iii) dependence on foreign aid. Nevertheless, there are positive aspects within Jordan economy such as (i) highly developed human resource endowment; (ii) an efficient infrastructure; (iii) a free-market policy; and (iv) a leadership that is open-minded towards a free economy. Furthermore, Jordan is also considered the second largest source of phosphates in the world, with an average production of 7 million tons annually (Jordan Phosphate Company, 2012). On the other hand, Jordanian reserves of shale oil are reported to have reached 60% (World Energy Council, 2012).

In this context, we can observe a conflict in information regarding Jordan's possession of natural resources. However, the economic situation does not reflect the revenues from these resources. In order to explain the above contradiction,

the following section provides an analysis of the characteristics of the Jordanian economy and the factors that influenced the evolution of the economic process.

3.5.1 First Stage: 1950-1975 after the Independence

Jordan faced many economic challenges during the post-Independence phase. The most important challenge was an attempt to create an integrated infrastructure to serve the Jordanian commercial sector (Al-Momani, 2005; Abu-Baker, 1995). The first step in this period therefore focused on quality improvements in the development of economic plans for future periods, with emphasis on issues, such as: (i) promoting local trade; (ii) attracting external investment; and (iii) expanding the base participation of the non-governmental sector (Kanaan & Kardoosh, 2002).

In fact, after reviewing this plan, the Jordanian government noted that there were no actual results on the ground. Quite the opposite, the reviewed plans showed a weakness in the implementation strategy, which has been described as a set of individual projects not achieving the desired objectives of the planning process (National Planning Council, 1981). In this context, Maghyereh (2001) argues that the imbalance in the implementation of economic plans can be attributed to the huge waves of refugees arriving during the independence period which had a major effect on the imbalance between population density and economic growth, resulting in distortion in the implementation of the economic strategy. Moreover, Kanaan and Kardoosh (2002) argue that the second Arab-Israeli War led to a loss of approximately 40% of Jordan's agricultural land, which represents 35% of the GDP, in addition to the loss of some foreign exchange revenue from tourism to Jerusalem and Bethlehem

The Arab-Israeli War caused a sharp decline in all areas of business life. Between 1967 and 1974, the attention of the Jordanian government was focused towards re-arming the military and providing support for military action, and thus the process of economic development was no longer a priority. Some researchers argue that during the Arab-Israeli War several negative economic indicators emerged which affected the country's growth (Mardeni, 2012; Haddad, 2005; Kanaan & Kardoosh, 2002; Abu-Baker, 1995). As an example of a negative indicator after the second Arab-Israeli war in 1974, Jordan's Gross Domestic Product (GDP) reached approximately 1% with the inflation rate rising to a high of 19%. This also accompanied a decline in the government budget of approximately negative (-1,045 JD/M). These indicators are shown below in Table 3.2.

Table 3-2 Key economic indicators for the Jordanian economy (1967-1975)

Year	1968	1969	1970	1971	1972	1973	1974	1975
GDP	NA	NA	0.1	0.2	0.4	0.6	1.0	1.2
Gov-Budget	-	-	-	-	-	-	-	-
JD/M	222.0	476.8	443.2	615.0	845.1	1,509	1,045	1,379
Inflation	NA	NA	6.9	4.7	5.7	11.2	19.4	12.1
JD=\$	NA	NA	.315	.315	.315	.315	.315	.330

Notes: JD/M (Jordanian Dinar/Million); Source: DOS <http://web.dos.gov.jo/sectors/national-account/>

3.5.2 Second Stage: 1976-1993 Post-Stability

With the beginning of Arab oil market activity in 1975, Jordan's government realised the nature and depth of the economic crisis experienced by the region. Therefore, government attention concentrated on being a strategic partner to the oil-producing countries in the development process, by marketing scientific, practical experiences and skills in an attempt to reduce the size of the financial gap (Sweidan, 1997). In this regard, Maghyreh (2001) argues that:

“From the early 1970s, Jordan's strategy was to develop itself as a provider of skilled manpower and trade-related services for the Arab countries. Accordingly, the authorities chose a strategy aimed at educating Jordan's youth to prepare them for employment in and around the region” (p.15).

Kanaan and Kardoosh (2002) argue that between 1975 and 1985 Jordan witnessed a remarkable improvement in economic activity. The increase of Jordanian workers in the Arab Gulf countries, by approximately 15.6%⁹ of the total population, contributed to the state budget through a continuous flow of financial remittances, estimated at 3000 million JD. On the other hand, total foreign aid averaged 40 million JD per annum before the mid-1970s, and then reached 126 million JD after this period (Mardeni, 2012). However, following the Baghdad Arab summit in 1979 and the second oil boom, the figure for financial assistance climbed to an average of 382 million JD annually.

A range of indicators showed levels of economic growth during that period, described by many economists as one of Jordan's best periods of economic growth (Abu-Baker, 1995). For example, the average GDP in real terms for the period 1979-1981 amounted to 16.4%, which is considered one of the world's highest during that period. In foreign trade, there was a 27% increase in the proportion of exports (phosphate, potash and cement) (Kanaan & Kardoosh, 2002; Central Bank 2012).

Yet at the end of the 1980s, Jordan suffered a sharp decrease in its financial resources and its economic activity (Samman, 2000). Due to Jordanian policies towards its neighbours during the Gulf War, a number of countries cancelled their aid and accordingly, some negative salient features of Jordan's economic

⁹ 350,000 workers/2,233,000 populations = 15.6% (see Table 3.1)

activity emerged. These include such as: (i) a reduction in the size of remittances from Jordanians abroad, due to the expulsion of 350,000 workers from Gulf countries; (ii) a decline in the rate of annual GDP growth during this period of -10.7 and -0.3 respectively; (iii) an increase in the rate of inflation by approximately 25.6 and 16.2 respectively (Abu-Baker, 1995; Haddad, 2005; Mardini, 2012). Table 3.3 shows the most important Jordanian economic indicators during the period of 1976 to 1990.

Unfortunately, as a result of the local economic crisis, the Jordanian government adopted an unstudied policy to cover its budget deficit, which focused on reducing its capital expenditure and increasing its international borrowing as a short-term way to finance budgetary provisions. Accordingly, Jordan's foreign public debt exceeded 5,410 million JD, equivalent to 232.2% of GDP (Mardini, 2012). In this regard, Al-Shiab (2003) argues that:

“Although the foreign exchange earnings declined substantially, government kept on the level of public expenditures. This was financed by foreign borrowing on both a commercial and professional basis, which led to accumulation of external debt burden higher than the ability of the economy to service that debt over the period 1988-1993 which was behind the 1988 crisis when Jordan suspended its debt service”(p,44).

Therefore, it could be understood that Jordan suffered negative economic consequences from the Arab Gulf crisis at the beginning of the 1990s, which resulted in sanctions by Arab Gulf countries and UN sanctions against Jordan as Iraq's largest trading partner during the war. Those sanctions caused a substantial setback in economic programs, forcing the government to rethink many political relationships, as will be explained in the next section.

Table 3-3 Key economic indicators for the Jordanian economy (1976-1993)

Year	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
GDP	2.4	8.3	14.7	20.8	11.2	17.2	7.0	-2.2	4.3	-2.7	5.5	2.3	1.5	-10.7	-0.3	1.6	14.3	4.5
Gov-Budget JD/M	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Exter-Debt JD/M	224	204	220	197	222	477	443	615	845	1,509	1,045	1,379	224	204	220	197	222	477
Inflation	565	565	788	1,005	1,324	1,550	1,878	2,142	2,330	2,796	3,426	4,440	4,196	5,187	5,409	6,878	5,647	5,419
JD=\$	11.5	14.5	7.0	14.1	11.1	7.7	7.4	5.0	3.9	3.0	0.0	-0.2	6.6	25.6	16.2	8.2	4.0	3.3
	.331	.315	.293	.295	.309	.339	.352	.372	.405	.368	.344	.329	.477	.648	.670	.675	.691	.704

Notes: JD/M (Jordanian Dinar/Million); Source: DOS <http://web.dos.gov.jo/sectors/national-account/>

3.5.3 Third Stage: 1994-2012

The economic correction stage began with the end of the Arab-Israeli conflict in 1994, when Jordan signed a peace treaty (Wadi-Araba) with Israel. This was an important turning point for both political and economic stability in the region. In fact, this treaty allowed the government to place greater focus on economic problems in order to find alternatives for the development of the local economy, instead of relying on financial aid from Arab Gulf countries. The first item of this treaty was that a common agenda was agreed to resolve issues related to territory, water, refugees and arms control (Haddad, 2005).

During this period of political stability, the government focused on economic programs which depended on attracting foreign capital through external investment (Al-Shiab, 2003). Therefore, a strategic decision was made to reduce the restrictions on capital flows, considered by many economists as a step in the right direction for the Jordanian economy (Abu-Baker, 1995; Hutaibat, 2005). For example, in the mid-1990s, the Jordanian government developed a program to restructure a number of economic regulations, such as import and export, taxation and investment laws (Maghyreh, 2001; Hutaibat, 2005).

Despite the seeming success of this period, Jordanian economic performance indicators were still modest. For example, there was a slow-down in the rate of GDP growth between the periods of 1995-1999, while GDP grew by 6.2% in 1995 before declining 2.1% in 1996. Between 1997-1999, GDP growths settled at approximately 3%, with a continued high rate of public debt (see Table 3.4).

The situation improved when King Abdullah's reign began; specifically the Jordanian government embarked upon a privatization programme in 1999, by downsizing government activity in the business sector. According to Hutaibat (2005) and Mardini (2012), the government of Jordan embarked on a number of economic policies, in order to advance the performance of the national economy. The privatization programme is regarded as one of the most important efforts, and focused on transferring ownership of government business to the private sector. Moreover, Jordan membership of the World Trade Organization (WTO) in 2000 contributed heavily to the acceleration of liberalization of trade within the local economy.

These policies have been considered successful (Mardini, 2012), as evidenced by economic indicators, especially over the period 2000-2008. These financial indications include: (i) an annual percentage growth rate of GDP up to 8%; and (ii) a remarkable decline in the government budget deficit of more than 50%, as shown below in Table 3.4. However, this improvement did not last long. Indeed, damage resulting from the financial crisis was directly reflected in all economic aspects of the country at the end of 2008. For example, there was a decline in external financial support, at both Arab and international level, with a reduction in foreign investments resulting in an increase in energy bills and governmental salaries (Matar, 2008). Between 2008 and 2011, there was also a 14% increase in

the rate of inflation, almost double the rate of GDP growth (7.2%). The financial crisis led to a sharp decline in the level of stock prices on the ASE of up to 25%, and a decline in GDP from 8.2 in 2007 to 7.2, 5.5, and 2.3 in 2008, 2009, 2010 respectively, rising to only 2.6 in 2011. This in turn impacted on the total rate of general debt, which amounted to 6,210 billion JD in 2012 (CBJ, 2013).

Table 3-4 Key economic indicators for the Jordanian economy (1994-2011)

Year	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
GDP	5.0	6.2	2.1	3.3	3.0	3.4	4.1	4.9	5.7	4.1	8.4	8.1	8.0	8.2	7.2	5.5	2.3	2.6
Gov-Budget JD/M	- 443	- 615	- 845	- 1,509	- 1,045	- 1,379	- 224	- 204	- 220	- 197	- 222	- 477	- 443	- 615	- 845	- 1,509	- 1,045	- 1,379
Exter-Debt JD/M	5.354	5.430	5.235	5.208	5.401	5.747	5.223	5.303	5.351	5.391	5.348	5.057	5.187	5.253	3.640	3.869	4.611	4.487
Inflation	3.5	2.4	6.5	3.0	3.1	0.6	0.7	1.8	1.8	2.3	3.4	3.5	6.3	4.7	14.0	-0.7	5.0	4.4
JD=\$	.704	.701	.709	.709	.709	.709	.709	.709	.709	.709	.709	.709	.709	.709	.709	.709	.709	.709

Notes: JD/M (Jordanian Dinar/ Million); Source: DOS <http://web.dos.gov.jo/sectors/national-account/>

In light of this discussion, decision-makers should exert further efforts in supporting the Jordanian economy at this sensitive stage through controlling public spending and fighting all forms of corruption and tax evasion. They should also support vital capital projects, in addition to promoting exports, and restructuring commercial laws to ensure the country is economically balanced. The next section highlights some of these economic laws introduced by the government, especially with regard to reporting practices.

Taking into consideration the nature of the negative economic conditions within Jordan, which can be considered one of the most important factors influencing CSR practices, the research question to be raised here is: **What is the perception of stakeholders regarding the impact of economic conditions on CSER disclosures by the industrial companies operating in Jordan?**

3.6 Jordanian Accounting Regulations on the Practices of CSED

Globalization has produced significant progress within the field of telecommunications and information technology, which has led to the collapse of international trade barriers and broadened the scope of global business activity in various fields. Developing countries, in particular, have faced significant challenges regarding how best to arrange economic and legal conditions in order to utilise globalization in their economic development (Al-Shiab, 2003).

It is for this reason that, Jordan embarked on some fundamental changes to the economic legislation regulating business enterprises, and issued a new set of regulations to govern business processes. These included the Companies Act; Investment Promotion Law; Environment Protection Law; Privatization Law; Financial Market Law, and the Securities Commission Law (Omar, 2007). This section discusses the laws governing accounting profession in Jordan, and especially those regulations affecting CSED practices.

3.6.1 Jordan's Company Act

Since the beginning of the 1900s, and prior to issuing any accounting regulations, Jordanian companies such as the Arab Bank, the Tobacco and Cigarettes Company, and the National Electricity Company have practised activities according to their internal legislation. These varied from one company to another, and were unaffected by any government legislation during that time (ASE, 2014).

In 1927, the government of Transjordan developed the first Companies law which remained in place until it was replaced by the Companies Act No.33 of 1964 (Suwaidan, 1997). Omer (2007) argues that although the above Act covered

the majority of general requirements related to the organization and registration of companies, there were still some shortcomings within the texts of the legal articles in accounting disclosure, particularly relating to the information that must be disclosed. On the other hand, Al-Shiab (2003) argues that the (i) increase in the number of Jordanian companies and (ii) development of Jordan's economic system have imposed revised companies' laws on the regulators, which also led to repeated amendments to this law from the 1960s to the 1980s.

Companies continued their work under Law No.1 of 1989, more comprehensive than the Companies Act of 1964, particularly regarding accounting disclosure requirements (Omar, 2007). The Jordanian government then issued the current Companies Act No.22 of 1997, which abolished all previous laws and is currently in place.

The Companies Act No.22 is one of the most important laws that regulate companies' practices in terms of rights, duties and illegal activities that may affect a company's reputation and its activities. Moreover, its legal articles cover several issues that govern Jordanian disclosure requirements and annual reporting standards, especially with regard to mandatory disclosure (Haddad, 2005). For example, under article No.140 of the Act, Mardini (2012) argues that:

“The Companies Law 1997 requires listed public companies to prepare and publish financial statements which give a true and fair view of their financial positions during the fiscal year. In particular, Article 140-A requires listed companies to prepare an annual balance sheet of the company, a profit and loss statement, and a cash flow statement – all of which must be certified by the companies' auditor” (p.44).

Furthermore, in the case of violations of the provisions of the above Article, stakeholders could rely on Article No-278 which stipulates:

“penalising non-compliance by imprisonment for a term of one to three years, and by a fine of between one 1000 and 10000 JDs for any person that prepared and published financial statements which did not provide a true and fair view of the company’s financial position, conveyed incorrect information, incorporated incorrect statements in the report of the board of directors or in the report of its auditors, or concealed information and clarifications which should be declared according to the law” (Mardini 2012, p.44).

A weakness still exists in the social and environment practices initiatives in the articles of the Companies Act No.22 of 1997. However, the articles have a relationship with the social and environmental issues, and disclosure requirements on these issues should be reviewed. For example:

- (i) Article No.175/A/8: regarding the powers of the general assembly in its extraordinary meeting: (A) company should discuss and take appropriate decisions regarding some issues, including: (8) the company employees’ ownership of the company capital shares.
- (ii) Article No.188/A: the company should allocate not less than 1% of its annual net profits to be spent on supporting scientific research and vocational training in it, and to spend this allocated reserve, or any part thereof, on scientific research and training.
- (iii) Article No.195/A/5: the auditor’s report must include any information, statements and clarifications necessary and any violations of the provisions of this Law or the company memorandum will have had a material effect on the results of the company operations.

Although the Act No.22 covered the majority of issues related to corporate practices within its 289 legal articles, the undeniable issue is that the above-mentioned articles did not exceed the limits of the stand-alone articles regarding CSER issues. Additionally, CSER activities are only a general term within the items of the legal articles.

For example, Article NO-175/A/8 covers employees' rights with regard to ownership of part of the company’s capital share as one of the stakeholder

groups, which may affect the performance of stakeholders for the better. Article NO-188/A includes a budgetary allocation for scientific research and staff development. However, the above activities form only a small part of the various CSER activities.

For the purposes of this thesis, the most significant article is 195/A/5, which states that: “*disclosure of any information, statements, clarifications necessary and violations that may have an effect on the results of the company’s activities*”. A significant number of studies confirm that CSED is considered one of the most important pieces of information which may help to give a clearer picture of the company's competitive position, and if it is excluded, it may have a negative effect on corporate operations (Gray et al 1995a; Deegan & Rankin, 1996). Hence, CSER should be given paramount importance as a necessary part of stakeholders' needs when making successful investment decisions.

3.6.2 Privatization Law

Before 1990, the vast majority of the economic and financial activities in Jordan were controlled and financed by government. According to Jordanian economists, this is one of the major issues hindering private sector participation in economic activities (Mardini, 2012). However, at the outbreak of the Gulf war, the Jordanian economy suffered a severe imbalance between resources and population growth (Al-Htaybat, 2005). More specifically, this period witnessed a slowdown in economic growth and a weakening of economic performance, culminating in a collapse of the national currency and a rapid rise in the burden of external debt (Kannan & Kardoosh, 2002).

One proposed solution by the Jordanian government was to make a formal motion to the International Monetary Fund (IMF), requesting examination of the internal financial crisis and explanatory guidance and effective solutions for this unsatisfactory economic situation (CBJ, 2013).

Following a study of Jordan's economic situation by IMF experts, it was agreed that all previous debts needed to be rescheduled through the implementation of a range of reform measures, known as the economic reform program (Al-Htaybat, 2005). This program relied heavily on the development of local economic programs rather than international aid (Al-Akra, 2009). Among the economic measures adopted by the Jordanian government was the expansion of the private sector in terms of its involvement within economic activities, which is known as the privatization law (Al-Husan, 2004).

In 1996, privatization began to signify the transfer of ownership of projects from the public to the private sector for more efficient and effective utilisation of resources (Al-Kurdi, 1998). The term privatization refers to the process of transferring and changing the ownership structure of an entity from state-owned government institutions to private ownership stockholders, in order to achieve a number of goals. These include: (i) re-distributing roles between the public and private sector; (ii) opening the way for private initiatives to reform and regulate disclosure practices; (iii) eliminating burdens borne by the government budget, resulting from institutions that are not economically viable; (iv) encouraging international investment to attract capital; and (v) achieving economic development goals (Al-Abdullah, 1999; Megginson & Netter, 2001; Al-Husan, 2004; Al-Akra, 2009).

Based on the IMF guidelines, in 1996 the government established a special section of the Council of Ministers, called the Executive Privatization Commission (EPC) “*with the help and encouragement of international organizations such as the World Bank Group, USAID (U.S. Agency for International Development), and other development partners*” (Al-Akra et al, 2009, p.171). Due to the importance of privatization to the public treasury during that period, the government issued a law of privatization No-25/2000, which included clear provisions that govern the privatization process and contributed to the removal of many barriers and restrictions to ownership and investment and the flow of foreign capital (Al-Husan, 2004).

Between 1996 and 2004, the privatization program achieved resounding success in terms of financial return; the Jordanian government sold more than 50% of its shares in 67 government-owned companies, with revenue that amounted to about 1,271 million USD at the end of 2004 (Al-Akra et al 2009).

However, the benefits of privatization are not limited to financial returns, investor protection laws and the creation of a suitable environment for investment in Jordan. This program contributed significantly to the diversity of ownership structures in Jordan, thus improving both the quality and level of corporate accounting practices. Amongst the most important features of these accounting practices are: (i) raising economic productivity; (ii) reducing general spending; and (iii) encouraging the disclosure practices of Jordanian listed companies.

Many studies have indicated that these CSED practices are significantly linked to the diversity of public perceptions of a company's ownership structure and

stakeholder power which has an impact on economic performance and the financial market. As such, companies have also been forced to make critical decisions about the kind of accounting disclosures they make (Ingram, 1978; Spicer, 1978; Abbott & Mosen, 1979; Anderson & Frankle, 1980; Epstein & Freedman, 1994). In this regard, Al-Akra et al (2009) argue that:

“The number of shareholders in privatized companies is significantly higher than that in non-privatized companies. Thus, the protection of these investors becomes crucial to the privatizing country in terms of gaining the confidence of investors and maintaining the reputation of its capital market” (p.174)

3.6.3 Jordan’s Capital Market

The Jordanian Capital Market (JCM), considered one of the most important financial institutions in Jordan, was established under Law No.31/1976 in order to organize financial and trade transactions. More so, to ensure the proper documentation of all financial operations in the three main sectors, namely: financial, services and industrial. The JCM also has a unified law regarding safeguarding its administrative and financial autonomy from the Jordanian government (CBJ, 2013; ASE, 2014).

Officially, the JCM was established in 1978 in order to achieve a number of sub-objectives linked to its main objective. These include: (i) to develop and protect financial transactions and to meet investors' confidence in Jordan’s market; (ii) to protect the rights of small savers and shareholders; and (iii) to establish databases regarding market rules and to avoid any distortions that may affect the country's economy (Tahat, 2013).

The JCM law was amended to law No.23 in 1997. The proposed amendments focused on the restructuring of JCM into three independent bodies as follows: (i)

Jordan's Securities Commission (JSC); (ii) the Securities Depository Centre (SDC); and (iii) the Amman Stock Exchange (ASE) (ASE, 2014).

Jordan's Securities Commission (JSC), as one of the three bodies of the JCM, possessed the same attributes in all respects of legal, administrative and financial autonomy as the previous institution (JSC Annual Report, 2006). However, as a result of the economic and legislative developments at local and international levels, amendments to the previous law were urgently needed. Indeed, these changes were made in order to keep the JSC's reputation intact as a body that has a power to regulate financial transactions and protect investors' interests; this was done under the new law No76/ of 2002 (Mardini, 2012). It should be noted that Article No. 8-A from the JSC's law states that the JSC's objectives are protecting investors in securities; regulating and developing the capital market to ensure fairness, efficiency and transparency; and protecting the capital market from the risks that might face it.

According to Jordan's Securities Law of 2002, corporate disclosure instructions are amongst the key issues included. Therefore, all listed companies are to prepare their annual report following the instructions and specifications of this law and are to adhere to it as closely as possible (Mardini, 2012).

The practices of CSED are amongst items which have been covered by further amendments to the JSC law 76/2002. For example, according to the annual report guide (2002), Article 9 of 2002 states that a company's annual report must include disclosure of any patents or franchise rights for workers. Companies need to disclose the application of international quality standards, rehabilitation and training programs for the staff, and a description of the risks faced by the

company. Moreover, Articles 18 and 19 of 2002 require the listed company to include any voluntary contributions or donations and grants paid by the company, and any contribution made by the company to protection of the environment and community service. In addition, Article 21 of 2002 stresses the importance of disclosure of any company contributions related to environmental protection and community services (JSC, 2002).

Although the above legal articles are clearly mentioned in the JSC Act, summarizing those related to disclosure regarding the protection of society and the environment demonstrates that these CSED disclosure articles did not cover all stakeholders' needs regarding non-financial information. Yet the growing demand for this type of information required more reconsideration of the JSC laws, especially in the case of amending non-financial disclosures to be more inclusive of many CSER issues in the future.

The Securities Depository Centre (SDC) is the second JCM institution and was established in May 1999 by the Securities Law No (23) of 1997 (ASE, 2014). The SDC also has autonomy from the legal, financial and administrative system stipulated by the government (Omar, 2007). It has a set of essential functions listed in the SDC Annual Report (2008) by Article 77/A of the Securities Law 2002, namely to (i) register and safe-keep; (ii) transfer ownership of securities; and (iii) deposit securities and clear and settle securities (SDC, 2012).

The SDC has used a number of programs to help facilitate dealings within the Jordanian market in order to be more efficient by providing greater opportunities for attracting foreign investments and enhancing investor confidence in market performance.

According to SDC (2009), these programs have included: (i) a registry system for registering securities more easily; (ii) an electronic deposit system to provide stakeholders with full knowledge of the depository system which records the particulars of each deal into their secret accounts; (iii) a clearing system that helps facilitate the contracts between broker-dealers and (iv) a settlement system which regulates financial market transactions to the stakeholders

ASE is the third JCM institution, established on the 11th of March 1999 as a non-profit legal entity with financial and administrative autonomy. It was set up in order to “*embrace all financial institutions that deal with capital*” in accordance with the provisions in Jordan (Al-Shiab 2003, p.60). As such, it can be argued that the ASE is a financial body subject to supervision and monitoring by JSC in order to provide fairness and transparency to its customers through improving disclosure requirements in annual reports (ASE, 2014). For instance, Article 3/B states that: disclosure requirements in ASE will force companies to disclose any information that may influence the trading price of their securities. Additionally, Article 4/D: companies listed on the ASE are legally required to disclose all breaches committed within the institution.

With the issuance of the Securities Law No.23 of 1997 the ASE witnessed a significant transition in the volume of trading in listed companies' shares and bonds (Mardini, 2013). This also led to an unprecedented leap forward for the national economy, as described by experts (Al-Akra et al 2009). Table 3.3 below provides information about the most important developments in the performance of the ASE between 2005 and 2012.

Table 3-5 Key Statistics for the ASE (2005 – 2012)

Market index	2005	2006	2007	2008	2009	2010	2011	2012
No. of listed companies	201	227	245	262	272	237	233	231
Market Capitalization	26,667.1	21,078.2	29,214.2	25,406.3	22,526.9	21,858.2	19272.7	19,141.5
Value Traded	16,871.0	14,209.9	12,348.1	20,318.0	9,665.3	6,690.0	2,850.2	1,978.8
Non-Jordanian Buying JD/M	2,152.2	1,995.1	2,825.3	4,219.8	2,135.5	1,036.6	555.8	322.9

Notes: (i) JD/M (Jordanian Dinar Million); Source: ASE (2012) <http://www.ase.com.jo/ar>

Table 3.5 reveals that there was rapid growth in the ASE during the years mentioned. For example, the number of listed firms increased from 201 to 262 between 2005 and 2008, before deteriorating significantly to 231 companies in 2012. While the trading value increased by approximately 500% from 1.6871.0 to 20,318.0 JD, significantly decreasing after 2008 to reach 1,978.8 in 2012, it had the same value in 2005. Similarly, market capitalisation had the same percentage, 26.6%, between 2005 and 2008 before it declined slightly in 2012 to reach 19.5%. Several researchers have indicated that the global financial crisis after 2008 is the root cause of these changes in the ASE indices (Al-Akra et al, 2009; Mardini, 2012).

3.6.4 The Environmental Protection Law

“The concern and interest in environmental conservation and protection issues are a consequence of international industrial development, on one hand and increasing environmental awareness, on the other hand, which produced a tremendous change in environmental legislation all over the world and has a positive effect on the environmental situation in our Mediterranean Region” (Al-Zu'bi, 2011, p.148).

Jordan realised the increasing importance of international social and environmental agreements with regard to compliance both socially and economically. Therefore, the Jordanian government developed a set of legal

articles in order to protect social and environmental life against any attacks that could affect them directly or indirectly.

In fact, the majority of social and environmental legislation was issued during the 2000s (Al-Zu'bi, 2011). For example, (i) in 2003 the Ministry of the Environment (MoE) was established with the aim of improving and maintaining the quality of the Jordanian environment, conserving natural resources and contributing to the sustainable development of the country, and (ii) the Environment Protection Law No. 52 of 2006 was passed, which is considered the main legal framework for protection and management of social and environmental life and to provide legal protection for citizens and workers and the local community.

Under this Law, there are some basic articles relating to the disclosure of social and environmental issues in Jordanian companies. For example, Article No.4/A states that a company should develop a policy to protect the environment that includes a set of plans, programs and non-profit projects that are essential to achieving sustainable development. Furthermore, Article No.4/E states that it is combining national efforts to protect the environment, developing a national strategy for environmental awareness and the provision of environmental information (MoE, 2006).

Moreover, Article No.19/A stipulates that factories' and companies' owners or any other party that exercises an activity that has a negative effect on the environment should take measures to prevent or reduce the spread of these pollutants. In addition, Article No.13/A stipulates the purpose of establishing the Environmental Police Department to control environmental violations (ibid).

One can subsequently argue that, as one of the factors helpful in boosting investor confidence in the government's role in creating successful investment

conditions, the Jordanian government has a clear interest in developing environmental legislation. In this context, one can also argue that many firms have perceived social and environmental disclosure as closer to a moral obligation (Zadek et al, 1997). Even without the presence of the binding legal CSER disclosure articles, this type of disclosure is also required to enhance annual reports, ensuring that they are more acceptable to stakeholder groups (Deloitte, 2012).

3.7 An Overview of the Jordanian Manufacturing Sector

Jordan's manufacturing sector, as one of the three economic sectors in Jordan (financial, services and manufacturing), is composed of several industrial sub-sectors. These include: Pharmaceutical and Medical industries; Chemical industries; Paper, Cardboard and Printing industries; Food and Beverage industries; Tobacco and Cigarette industries; Mining and Extraction industries; Engineering and Construction industries; Electrical industries; Textiles and Clothing industries, and Glass and Ceramic industries (ASE, 2014). The Ministry of Industry and Trade (MIT) is the primary government entity responsible for the regulation of the manufacturing sector in Jordan (Barakat & Saif, 2009). The sector is documented as making a significant contribution to Jordanian GDP

According to the latest statistics from the MIT, 30% of Jordanian GDP is composed of output from the manufacturing sector. The manufacturing sector also employs 20% of Jordan's labour force, and plays an important role in attracting local and foreign capital in the form of investment in the different industrial activities. In addition, the export value of industrial production contributes 38% to the overall value of Jordan's national exports. This 38% represents roughly \$7 billion of total annual national revenue, which is a very

significant contribution to the Jordanian economy (Barakat & Saif, 2009). Consistent with these national economic indicators, it can be argued that this sector occupies a significant position in Jordanian economy.

Considering the types of industries that make up the sector, it is obvious that activities in the sector are still exposed to corporate social and environmental issues. Despite this, there are few studies that have investigated the social and environmental disclosure practices of this important sector. Therefore, it could be argued that there is a need to review the contribution of this sector to social and environmental disclosure practices in Jordan. As such, in order to bring to the light existing level of practices in the sector, the next section discusses previous findings on CSED studies in Jordan. It is from these studies that literature gaps and expected contributions of this study to CSED practices in the industrial sector in particular and Jordan in general are documented as in below section.

3.8 The Jordanian Experience of CSED Practices

In the past, profit maximization was the key goal within any organization. However, with the emergence of CSER, this target decreased within many companies. While the reasons behind this decline are still debatable, according to researchers the most common reason is to avoid a stakeholder boycott of the company. Therefore, companies are very careful to spare such positions, through taking more responsibility towards social and environmental issues and the disclosure of these activities in their annual reports (Patten, 2002).

It is clear that the Jordanian government is playing a crucial role in its social and environmental development, as the economic sectors have recently witnessed acceptable progress in the legislation relating to the disclosure of CSER

information to interested parties. It could be argued that all legal provisions enacted by the Jordanian government are for the purpose of promoting environmental sustainability within an organization and within the community in which it operates. Additionally, in order to promote and enforce compliance with the social and environmental standards (Abu-Baker & Naser, 2000; Haddad, 2005; Omer, 2007).

However, it is also argued that when compared to those in developed countries Jordanian stakeholders, like those of any other developing country, continue to suffer from a lack of social awareness with regard to the importance of CSER practices. This low level of awareness has led to many company violations of local community rights and the surrounding environment, despite laws enacted to control such violations (Ismail & Ibrahim, 2009).

Additionally, academic researchers with a low level of social awareness have theoretically provided insufficient evidence to prove that CSR practices are supported by the Jordanian government. In fact, a very small number of researchers have highlighted CSED practices in a Jordanian context. For example, Ismail and Ibrahim (2009) argue that:

“...a low level of disclosure was found by these studies, despite the laws and regulations that mandate the Jordanian organizations to disclose social and environmental reporting in their annual reports” (p.199).

Also, Abu-Baker and Nasser (2000, p.19) argue that:

“...while other studies have previously examined the extent of corporate social disclosure practices in a number of developed and developing countries, they failed to survey Arab countries”.

This problematic situation provides this PhD study with its main motivation. Therefore, this section provides empirical examples of a range of Jordanian

contributions regarding the disclosure of CSER activities and corporate practices in this field.

To the best of the researcher's knowledge, the first effort in this area was by Abu-Baker and Naser (2000). Using content analysis, the researchers studied CSED practices through an analysis of the annual reports of 143 listed companies within the ASE. The results of the analysis indicated that little attention was paid by the surveyed companies to disclosing more non-financial themes in their annual reports. Moreover, the theme most commonly disclosed is community involvement, while environmental disclosures were of no interest to the surveyed companies. Abu-Baker and Naser (2000) argue that "*the vast majority of the surveyed companies (99%) placed the CSED in other sections of the annual reports*" (p.28). Obviously, the results of the study indicate that CSD practices are still in the cradle of evolution and require further investigation.

In the second Jordanian study of CSR disclosure, Ismail and Ibrahim (2009) used the same method as Abu-Baker and Naser (2000) to measure the level of CSED patterns in a Jordanian context. Specifically, content analysis was used to measure the level of CSED in the annual reports of 60 companies in the Jordanian manufacturing and service sectors. Additionally, factors determining the level of CSED in Jordanian context were also examined, namely corporate size, ownership and industry. The findings indicated that human resource information was the most popular theme disclosed in the annual report, while environmental information had the lowest level. In addition, a significant positive association was found between company size and level of CSER disclosure, and companies with high government ownership tend to have a lower level of disclosure compared to companies with low government ownership. Overall, no

significant relationship was found between industry type and the level of CSER disclosure.

In a comparative study of CSR activities, Hourani (2011) investigated the level of CSR practices in the annual reports of Jordanian listed companies, after the global crisis of 2008. Hourani (2011) argued that, between 2008 and 2011, the impact of the financial crisis potentially impacted on the non-financial performance of the Jordanian companies. He also added that the issue might drive managers of Jordanian companies to ignore many non-productive activities during the crisis period, especially CSR activities. These activities require large sums of money by companies and have a negative effect on their profitability; in other words, they were not directly related to production processes.

This study revealed a significant decline in the volume of social activities practised by Jordanian companies listed on the ASE in the wake of the global crisis. For example, between 2008 and 2010, the volume of the CSR activities significantly decreased from 614 activities in 2008, to 403 activities in 2009. Table 3.6 below shows a slight increase in the level of CSR activities in 2010 by approximately 469 activities, despite the number of companies practicing CSR activities falling to 124 companies in Jordan.

Table 3-6 Key Statistics for the CSER activities (2008 – 2010)

Key Statistics of CSER practices	2008	2009	2010
Number of Companies	262	272	237
Number of CSER	142	129	124
Volume of CSER activity	614	403	469
The growth rate in the number of CSER%	NA	-9.2%	-12.7
The growth rate in CSER activity%	NA	34.4%	23.6%

Source: Hourani (2011).

From a case study on a petroleum refinery, Al-Olimat (2012) used content analysis to investigate the level of disclosure on the cost of CSR activities. The

result reflected low cost involvement in CSER activities on the local society and the environment from 2007-2008. More specifically, disclosure of costs of health Insurance, followed by employee health and safety, training programs and legal cases against the company were found to be most disclosed, likely due to the high volume of court cases regarding employee rights and pollution.

Consequently, it can be concluded that the high volume of court cases, along with the exponential increase of maintenance costs and health insurance premiums, were the main reasons for the company's privatisation. Overall, the view of the researcher is that there is no uniformity as to the reporting practices of CSR costs in the annual reports.

Similarly, Rahahleh and Sharairi (2008) also examined the extent to which the concept of CSR was recognised and applied within the Jordanian qualified industrial zones. The results of this study demonstrated that there was no full recognition of the concept of social responsibility accounting except in some applied aspects practiced by companies, such as workers' welfare and environmental protection. Moreover, they found an absence of CSER initiatives which caused weak implementation of social responsibility accounting.

Due to the significance of social responsibility in achieving sustainable development, the Jordanian government established the Corporate Governance and Responsibility initiative (CGF, 2011). Firstly, it aims to raise stakeholders' awareness of their social and environmental rights. Secondly, it also seeks to improve the levels of CSED practices within Jordanian companies.

Previous research shows that the lack of experience regarding the level of CSR disclosure contributes to continuing low levels when compared to other

developing countries. This is consistent with the argument that corporate organizations in developing countries are less interested than developed countries in corporate social and environmental issues (Tsang, 1988). As such, it is easy to conclude that such low levels of CSR disclosure as reviewed above are the major driver for this PhD study to explore the roles of the regulatory institutional frameworks governing corporate voluntary and environmental issues in Jordan.

3.9 Summery

This chapter which is on CSED practices in Jordan and its expertise in the field was introduced in section 3.1. Section 3.2 dealt with the historical-political background of Jordan by looking into its political system argued as a one of the main factor that influences corporate social disclosures in a country. Section 3.3 looked into legal initiatives and local statutory frameworks governing corporate voluntary disclosures in Jordan. Section 3.4 covers the Jordanian cultural values, such as language, religion, morals, education and technology, that may affect national accounting system of Jordan. The Jordanian economy and its challenges, as a one of the main factor that influence CSED practices, were introduced in section 3.5 Section 3.6 dealt with the Jordanian accounting regulations and government initiatives on the practices of CSED. Section 3.7 reviewed the Jordanian experience of CSED practices in the manufacturing sector; while this section which is 3.8 concludes the chapter. The next chapter will be on research methodology and methods to be followed in undertaking this study. It shall cover such aspects as philosophical assumptions about the nature of social science and society; identify different research paradigms and choose the most suitable for research of this nature. It will also review existing research methods with a view of finding the best method of conducting this research.

Chapter Four: Methodology and Methods

4.1 Introduction

Several researchers within the field of social science have argued that the initial selection of an appropriate research method and methodological assumptions is one of the key steps in achieving a successful dissertation (Tomkins & Groves, 1983; Denzin & Lincoln, 2003). Aligned with the above, this chapter provides the method and methodology of the study based on its questions and desired objectives of this study. It also provides a full description of the nature of the data, and the action taken to collect, sort and analyse it to cover all theoretical aspects before embarking on the analysis of the test data in the next chapter.

The following sections summarise this chapter: Section 4.2 is a discussion of research paradigms; Section 4.3 outlines the philosophy of social science research; Section 4.4 discusses four possible paradigms of social science research; and Section 4.5 focuses on the philosophical assumptions which underpin this study. Section 4.6 details the research methods, specifically discussing both the disclosure index and interview method; and finally, Section 4.7 gives the main conclusions of this chapter.

4.2 A Brief Background on the Concept of Research Paradigms

The concept of the paradigm originates from the Greek word “*Paradeigma*” which means a model or pattern, and was first used by Thomas Kuhn and his colleagues in 1962, to denote a theoretical and philosophical framework for the convenient method or group of methods used to investigate a specific problem and to find appropriate solutions (Prince, 1994). Krishnaswami and Satyaprasad (2010) argue that the definition of the research paradigm is a search for facts-answers to questions and solutions to problems. It is a purposive investigation. It is an organised inquiry. It seeks to find explanations to unexplained phenomena,

to clarify the doubtful propositions and to correct the misconceived facts. How is this search made? What are possible methods or approaches?.

In a more specific definition, Filstead (1979), cited in Deshpande (1983), argues that:

“a paradigm (1) serves as a guide to the professionals in a discipline for it indicates what the important problems and issues are confronting the discipline; (2) goes about developing an explanatory scheme (models and theories) which can place these issues and problems in a framework which will allow practitioners to try to solve them; (3) establishes the criteria for the appropriate "tools" (e.g. methodologies, instruments, and type and forms of data collection) to use in solving these disciplinary puzzles; and (4) provides an epistemology in which the preceding tasks can be viewed as organization principles for carrying out the "normal work" of the disciplines. Paradigms not only allow a discipline to "make sense" of different kinds of phenomena but provide a framework in which these phenomena can be identified as existing in the first place” (p.102).

In fact, there are many definitions provided by researchers to explain the concept of a paradigm in this type of research. For example, O'Brien (1993) stated that an investigation into social phenomena cannot make progress without selecting a theoretical paradigm based on a set of philosophical assumptions that cover every part or phase of a research project, either implicitly or explicitly. Additionally, TerreBlanche and Durrheim (1999) argue that a paradigm is a way to identify appropriate research strategies for the construction of a practical framework. In addition, it is employed to verify unexplained phenomena in order to accept, or reject the philosophical assumptions underpinning the research study.

Elsewhere, Collis and Hussey (2009) argue that a paradigm is:

“a framework comprising an accepted set of theories, methods and ways of defining data.....that guides how research should be conducted based on people's philosophies and their assumptions about the world and the nature of knowledge” (p 47:55).

Similarly, Creswell (1998) has defined a paradigm as:

“a basic set of beliefs or assumptions that guide [the researchers’] inquiries. These assumptions are related to the nature of reality, the relationship of the researcher to that being researched, the role of values in a study, and the process of research” (p.74)

From this brief background, it can be noted that a paradigm is considered a guideline for researchers to define the nature of the research study and develop their research method and methodology within the social research. It also helps in selecting an appropriate research framework for examining, collecting, analysing and interpreting data. Hence, it is considered a critical step before conducting empirical work, because it determines the path of a researcher in achieving the desired objectives of the phenomenon being studied (Gill & Johnson, 1997; Creswell, 1998; Gray et al, 2009).

4.3 Philosophy of Social Science Research

Research in the social sciences is a process of enquiry or investigation undertaken in an attempt to answer many significant questions, including what to research and how (Remenyi et al, 1998). However, it has been argued that the basic philosophical argument of social research generally lies in an attempt to explain one of the most important questions: why do research? Is it to understand the nature of the social phenomena, or to make a change on it (Burrell & Morgan, 1979; Creswell, 1998).

Consistent with this philosophy, many interesting philosophical debates have been raised among researchers about the relationship between philosophical assumptions and the expected values of the search process in social phenomena (e.g. Burrell & Morgan, 1979; Hopper & Powell, 1985; Chua, 1986; Laughlin, 1995; Hussey & Hussey, 1997; Creswell, 1998; Collis & Hussey, 2009). Those

debates drew the attention of Chua (1986) who argued that philosophical assumptions underlie any piece of research, including accounting. Moreover, Saunders et al (2007) showed that the strong relationship between construction of the accounting research philosophy and design of the research methods makes social research more useful and meaningful. This relationship also allows accounting researchers to generate knowledge and data useful to both accounting theory development and practice. Underscoring this, Chua (1986) reported that "mainstream accounting research is grounded in a common set of philosophical assumptions about knowledge, the empirical world, and the relationship between theory and practice". She added by using this set of assumptions, fundamentally different and potentially rich research insights are obtained.

Burrell and Morgan (1979) identified at least three reasons why an understanding of philosophical assumptions is very useful in the study of social phenomena, namely: (i) philosophical assumptions can assist researchers in clarifying their views regarding scientific and societal issues; (ii) it helps develop an understanding of other designs that may be outside the researcher's experience; (iii) understanding of philosophical assumptions may assist in facilitating the process of research design.

Therefore, on the basis of the above philosophical debate, this study intends to discuss one of the most important philosophical assumptions suggested by Burrell and Morgan (1979). These philosophical approaches are namely: (i) the assumptions relating to the nature of social science (Subjective-Objective Dimension) and (ii) the assumptions relating to the nature of society (Regulation-Radical Change Dimension).

4.3.1 The Assumptions related to the Subjective-Objective Dimension

It is argued that the correct identification of the philosophical assumptions to collect and analyse the data help the researcher to choose the appropriate methodology, and then help them to do a successful research (Collis & Hussey, 2009). Burrell and Morgan (1979) argue that the main idea behind the need to include a detailed discussion of the research philosophy as one of the most important methodological steps is to help determine the correct way to gain knowledge regarding the social issues that were raised.

From this perspective, Burrell and Morgan (1979) provide two sets of beliefs about philosophical assumptions for research within the field of social science. These relate to the views of the researcher regarding social science and the structure of society, as displayed in the schema below:

Table 4-1 Burrell & Morgan's (1979) subjectivist & objectivist approaches

Subjectivist Approach	Assumptions	Objectivist Approach
Nominalism	Ontology	Realism
Anti-positivism	Epistemology	Positivism
Voluntarism	Human Nature	Determinism
Ideographic	Methodology	Nomothetic

Source: Burrell & Morgan (1979, p.3).

Practically, Burrell and Morgan (1979) provided four philosophical choices within two different dimensions as a means by which to determine the perception of a researcher regarding the nature of knowledge in social research. More specifically, ontology, epistemology, human nature and methodology are the philosophical choices that determine the researcher's position on where the research needs to be situated.

First, Ontology is a philosophical assumption regarding the reality of the social phenomena that is being examined (Creswell, 1998; Healy & Perry, 2000).

According to Burrell and Morgan (1979, p.1) ontology is “*the assumptions which concern the very essence of the phenomena under investigation*”. Deshpande (1983) reported that ontology is concerned with understanding assumptions about what constitutes social behaviour. In this regard, ontology “*is concerned with 'what is', with the nature of existence, with the structure of reality as such*” (Crotty 1998, p.10).

Burrell and Morgan (1979) introduced two ontological dimensions in understanding the perspective of the researcher on the nature of the social world, namely: (i) realism and (ii) nominalism. Realism assumes that the social world is a set of real concepts and labels that reflect external and tangible realities, independently of an individual’s appreciation of the physical world. Nominalism is a concept that explains the social world as being made up of concepts and labels that rely on an individual's appreciation of its reality. However, Nominalism leads to the construction of research objectives because; “*no objective reality exists in [the] case of nominalism*” (Abu-Raya, 2012, p.174).

The second assumption in Burrell and Morgan's scheme is Epistemology. This assumes that there is a link between the nature of knowledge and evidence that constitutes valid knowledge of the social phenomena (Hopper & Powell, 1985). In this regard, Chua (1986) reported that: “*epistemological assumptions decide what is to count as acceptable truth by specifying the criteria and process of assessing truth claims*” (p.604). In other words, Crotty (1998) argues that the theory of knowledge should be embedded in the theoretical perspective and thereby in the methodology.

For this assumption, there are two contrasting choices of epistemological philosophy, based on the idea as to how we can gain knowledge of the world, namely: (i) positivism and (ii) anti-positivism. Positivism as a position aims to examine the social world independent of individuals' perceptions. The most common method in this assumption is the testing of a social hypothesis to create knowledge that can be added to the existing stock (Burrell & Morgan, 1979). In contrast, the anti-positivist assumption is an approach that depends on interpreting the perceptions of the parties that will participate in the search process, and therefore it is subjectively acquired.

In regard to the human nature assumption, Burrell and Morgan (1979) stressed the need for the study of human nature in terms of the beliefs, thoughts, surrounding environment, and even human behaviours in free will, as an integral part of the research process that helps to analyse individuals' perceptions regarding social phenomena.

Burrell and Morgan (1979) also identified two contrasting choices of the human nature assumptions, namely: (i) voluntarism and (ii) determinism. Voluntarism assumes that a social phenomenon is a subject for discussion and subjective analysis; the perceptions of researchers are free and independent during the interpretation of this social phenomenon. In contrast, determinism suggests that there are rules and regulations used to interpret social phenomena, and it also controls the perceptions of individuals and limits their involvement (Chua, 1986).

The fourth assumption of Burrell and Morgan's (1979) framework is methodological, which can be considered a final product of the philosophical choices of ontology, epistemology and human nature. This assumption also helps

a researcher in selecting the appropriate research technique to gain knowledge of the social world (Saunders et al, 2007). Therefore, the methodology framework refers to the way these choices should be used in investigative research of social phenomena.

The methodological assumption involves two different choices namely: (i) nomothetic, and (ii) ideographic. The nomothetic position focuses on the use of the appropriate protocols and procedures in developing assumptions around the social phenomena being studied. Hence, this assumption involves the implementation of a set of analytical procedures to explain hypotheses related to the social world. Whilst the ideographic position assumes that the methodology is to understand the social world through analysing first-hand knowledge of the phenomena being studied. This position depends on the observation and personal experiences of the researcher (Burrell & Morgan, 1979).

4.3.2 The Assumptions related to the Regulation-Radical Change Dimension

The second dimension of Burrell and Morgan's (1979) framework is the philosophical assumptions that discuss the nature of society, namely: (i) sociology of regulation; and (ii) sociology of radical change. O'Dwyer (1999) argues that the sociology of regulation is an assumption that attempts to explain society by emphasising its underlying unity and relatively stable cohesiveness. In contrast, the assumptions regarding the radical change are a social assumption that attempts to explain society in terms of deeply rooted structural conflict and so advocates radical change.

The sociology of regulation is a set of philosophical assumptions that refer to the techniques and methods that aim to regulate the affairs of society, which also

include an explanation of how to maintain stability of the organizational structure of society in order to be meaningful. Burrell and Morgan (1979) report that this assumption is: *“essentially concerned with the need for regulation in human affairs; the basic questions which it takes tend to focus upon the need to understand which society is maintained as an entity. It attempts to explain why society tends to hold together rather than fall apart”* (p.17)

The second assumption relates to the way that it is based on the change principles of societal affairs and the natural order of things. Gallhofer and Haslam (2003) argue that the radical change perspective believes in emancipation of the system by altering society. Specifically, Burrell and Morgan (1979) state that the radical change is: *“essentially concerned [with] a man's emancipation from the structures which limit and stunt his potential for development; the basic questions which it asks focus upon the deprivation of man, both material and psychic”* (p.17)

Burrell and Morgan (1979) have provided a set of fundamental characteristics that assist researchers in distinguishing between the two types of social research interests. Table 4.2 illustrates the significant differences between the regulation and radical change dimensions.

Table 4-2 Regulation-radical change dimension

Regulation Dimensions	Radical change Dimensions
The status quo	Radical change
Social order	Structural conflict
Consensus	Modes of domination
Social integration and cohesion	Contradiction
Solidarity	Emancipation
Need satisfaction	Deprivation
Actuality	Potentiality

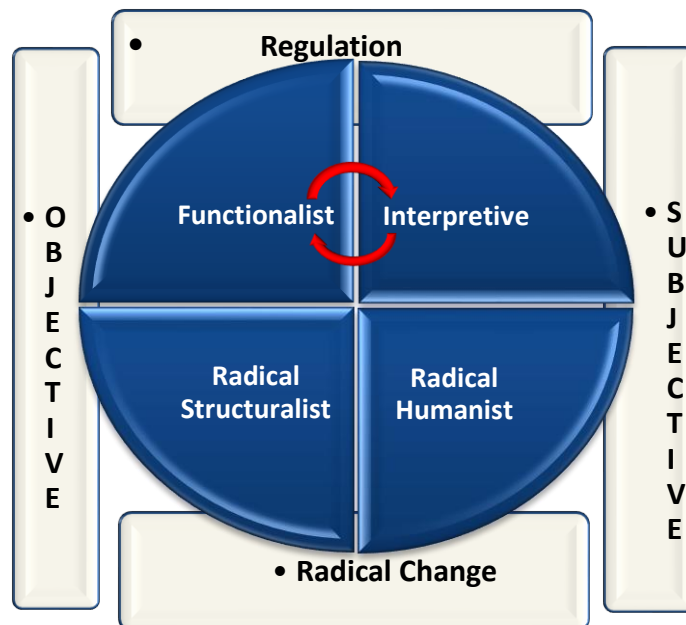
Source: Burrell and Morgan (1979, p.18).

4.4 Four possible paradigms of Social Sciences Research

Many researchers argue that philosophical assumptions related to the nature of knowledge and the nature of society is strongly related, interrelated and dependent (Burrell & Morgan, 1979; Creswell, 1998). This closeness has led Burrell and Morgan to develop a philosophical framework combining social assumptions related to the nature of the world and function of the researcher.

Practically, they classified these philosophical assumptions into four paradigms through developing a framework based on the intersection of the two dimensions discussed above: subjective-objective and regulation-radical change. This combination has resulted in four paradigms for social research, namely: (i) functionalist; (ii) interpretive; (iii) radical structuralist; and (iv) radical humanist. These four paradigms are illustrated in Figure 4.1 below.

Figure 4-1 Burrell and Morgan's social research paradigms



Source: Burrell and Morgan (1979, p.22)

This Figure 4.1 reveals the existence of possible relationships between the philosophical assumptions related to the world and the nature of knowledge.

Those relationships indicate several benefits to those involved in social science research. (i) They provide more clarity to the assumptions regarding researchers' views about the nature of science and society; (ii) they facilitate understanding of other researchers approaches in how they used the paradigms in their work, which in turn leads to greater understanding of the theoretical basis underpinning their research; and (iii) they help future researchers in designing and planning their own research (Burrell & Morgan, 1979).

Based on the above, the next section provides an explanation of each of Burrell and Morgan's paradigms, according to the participatory relationships each paradigm has with its neighbours on the horizontal and vertical axes.

4.4.1 Functionalist Paradigm

According to Ardalan (2003) the functionalist paradigm is a philosophical framework resulting from the combined process between the objectivist dimension and the sociology of regulation. This paradigm assumes that society has a systematic character and a concrete existence, and follows a certain order directed toward the production of useful knowledge. Burrell and Morgan (1979) argue that this paradigm emphasises the importance of understanding the order, equilibrium and stability in society, by providing more details about the social phenomena under investigation. Specifically, Saunders et al (2007) state that:

“The functionalist paradigm provides a rational explanation of why a particular organizational problem is occurring and develops a set of recommendations within the current structure of the organization's current management” (p.41)

On the other hand, Dhillon and Backhouse (2001) argue that the functionalist paradigm is a logical foundation by which to provide rational explanations of human nature based on philosophical hypotheses, and therefore the

functionalist paradigm tends to use scientific tests and quantitative techniques to analyse data, and presents generalised findings.

4.4.2 Interpretive Paradigm

The interpretive paradigm as a research methodology depends on the understanding and analysis of the individual's subjective perceptions which are involved in the preparation, regulation and order of the world, by adopting the ideological perspectives that combine the subjective and the regulatory dimensions (Morgan & Smircich, 1980). Burrell and Morgan (1979) report that the interpretive philosopher:

“...seek[s] to understand the very basis and source of social reality. They often delve into the depths of human consciousness and subjectivity in their quest for the fundamental meanings which underlie social life” (p.31)

Similarly, Ardalan (2003) argue that the interpretive paradigm creates and develops knowledge within the social context of individuals, helping to “*enrich people's understanding of the meanings of their actions*” (Chua, 1986, p.615). It can therefore be understood that interpretive research is a theoretical framework based on the observation, and analysis of the individuals' behaviour and their perception of the social phenomenon being examined. This enables the researcher to gain an in-depth understanding of their experiences in the social world (Burrell & Morgan, 1979; Dhillon & Backhouse, 2001).

4.4.3 Radical Humanist

Historically, the most common idea among researchers about the nature of society was that “*human potentiality is restricted by prevailing systems of domination which alienate people from self-realization*” [and that this idea has]

“taken for granted beliefs about acceptable social practices” (Chua 1986, p.619).

However, the above idea changed when some researchers revealed that human beings are free and able to understand and extend the possibilities contained in all affairs of society (Burrell & Morgan, 1979; Chua 1986; Ardalan 2003). This change in opinion led Burrell and Morgan (1979) to develop a comprehensive radical humanist approach based on community bonding and social cohesion.

Burrell and Morgan (1979) define the radical humanist framework as a paradigm which relies on both the subjective and radical change beliefs in order to enhance understanding of the relationship between human cognition and the external world. It is also perceived to create *“free organisation members from sources of domination, alienation, exploitation and repression by critiquing the existing social structure with the intent of changing it”* (Gioia & Pitre 1990, p.588). In this regard, Chua (1986) also asserts that the main objective of the radical humanist paradigm is to remove restrictive conditions that prevent human potentialities from emerging in the social world.

4.4.4 Radical Structuralism

Unlike the radical humanist paradigm, the radical structuralist, which is based on a combining of both the radical change and objectivist dimensions, mainly focuses on altering the universal structures and the social order (Burrell & Morgan, 1979). In other words, this paradigm observes society as a potentially dominating force and the order that prevails in an organisational structure of social phenomena (Ardalan, 2003).

The difference between radical humanist and radical structuralist lies in the fact that the first paradigm seeks to empower individuals to achieve their full

potential by raising an individual's self-awareness about the reality of the social world. The second paradigm seeks emancipation by changing the restrictive structures directly.

4.5 The Philosophical Assumptions Underpinning this Study

The objective of this PhD study is to provide the reader with a detailed description of the levels of CSED practices in the annual reports of industrial companies operating in Jordan. In addition, it will examine the determinants of CSER disclosure, through an investigation of the impact of internal factors on the level of CSED, as well as analyse stakeholders' perspectives on the external factors which affect the level of CSED practices in the annual reports.

Based on the main objectives of this study, it can be noted that this study seeks to investigate a social phenomenon and develop the level of knowledge, without bringing changes in the phenomenon being studied. Therefore, the radical humanist and radical structuralist paradigms that share the researcher's view about the structure of society would be irrelevant to the current study.

Both subjective and objective approaches seem appropriate to achieve the aims of this study. However, Burrell and Morgan (1979) argue that a researcher cannot employ two paradigms at the same time; specifically they state that "*the paradigm of the researcher depends upon social- scientific reality; the four paradigms are mutually exclusive in the sense that the researcher cannot be located in more than one paradigm at a given point of time*" (p.25)

However, several researchers have criticised the idea that the paradigms should be viewed as contiguous but separate (Hopper & Powell, 1985; Chau, 1986; Laughlin's, 1995; Deetz, 1996; Clair, 1999). For example, Chau (1986) argues

that the paradigm classification in itself, without any relationship among them, is unsatisfactory for research that tends to combine qualitative and quantitative methods. Moreover, she asserts that the philosophical assumptions are not mutually exclusive dichotomies. Quite the contrary; more than one paradigm may be used at any one time in a single study.

Similarly, Laughlin's (1995) criticised Burrell and Morgan's paradigms as contiguous without any relation between them. Under this criticism, Laughlin (1995) argues that there is so-called 'middle-range thinking' among philosophical paradigms. This mid-point can be taken as an option to combine the philosophical choices that meet the objectives of the study.

Considering the nature of the research questions that aim to gather knowledge from two different sources: (i) a quantitative data from annual reports; and (ii) a qualitative data from stakeholders' perceptions: this study employs two main types of philosophical assumptions. In particular, the objective approach involves descriptive analysis of quantitative data, while the subjective approach as an interpretive method is used for analysing qualitative data extracted from participants minds' regarding the social phenomena being studied.

Hence, in keeping with the views of Chua (1986) and Laughlin (1995), this study adopts the transition zone between functionalist and interpretive paradigms, which includes both quantitative and qualitative techniques and methods that are used to interpret social phenomena while maintaining the stability of the organizational structure of society.

Based on the interpretive and functionalist paradigms, the ontology assumption within this study assumes that the nature of the social phenomenon being studied

is realism and nominalism. Realism within this study means that, CSED information that reported in the corporate annual reports reflects the real activities that have been practiced on the ground by industrial companies during the fiscal year. Realism assumes also that the corporate characteristics that have reported in the corporate annual reports reflect the actual values of these firms. In contrast, part of the nature of the social phenomenon is nominalism, which means that the concepts, facts and labels resulting from interviews would depend on the individuals' views and their perceptions that reflect what they think, believe and expect about this phenomenon. Therefore, insights gleaned from stakeholder interviews provide a clear basis for building and creating clear ideas and meaningful examples about the phenomenon being studied, and are consistent with their reality.

The epistemological assumption behind this study is that positivism and anti-positivistic are embraced together. Positivism assumption considers the method used to gain knowledge by statistical analysis of the relationship between disclosure level and its internal determinants in the annual reports. Ten research hypotheses are consequently developed in this study in order to test the above causal relationship. In contrast, an anti-positivism epistemology believes that knowledge creation is an inherent trait of subjective reality. Therefore, this knowledge can be achieved through explaining and predicting the perceptions of stakeholders involved in the social phenomenon under study.

With regard to the human nature assumptions; it should be noted that this study adopts a middle position between determinism and voluntarism assumptions. Determinism considers that the statistical analysis for the level of CSED practices in the annual reports is based on strict rules (regression assumptions)

should be taken into account in order to get the knowledge about the effect of corporate characteristics on CSED practices alongside some limited intervention by the researcher. In contrast, the voluntarism assumption takes the view that the stakeholders' perceptions about a social phenomenon are voluntary and free-willed when exploring the effect of external factors on CSED practices.

Finally, the methodological approach in this study can be divided into ideographic and nomothetic assumption. Nomothetic assumption in this study tends to employ statistical analysis as a quantitative method to analyse the effect of internal factors on the level of CSED practices within the annual reports. Meanwhile, ideographic assumption is based on the interview method used to explore stakeholders' perceptions about the external factors that affect the level of CSED practices in Jordan.

In general, consistent with the above discussion, the next section provides details of both quantitative and qualitative approaches as a mixed method can be used in this study.

4.6 Research Methods

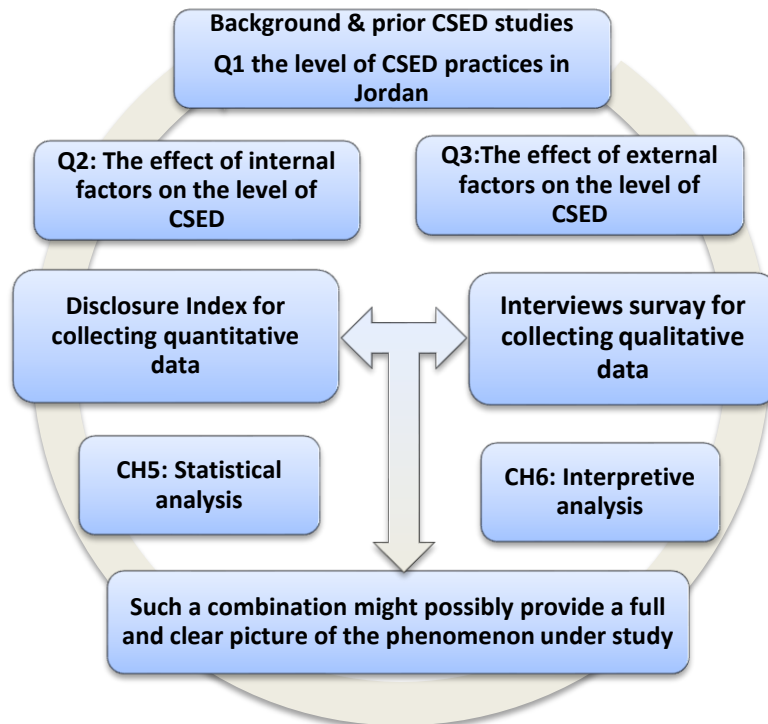
As mentioned earlier, CSED as part of social science research is based on a set of philosophical assumptions, which have a significant impact on the choice and use of appropriate research methods. This ultimately leads to establishing desired outcomes of the social phenomenon under study (Crotty, 1998; Creswell, 1998; Collis & Hussey, 2009).

Practically, researchers in the CSER field have used many different methodological approaches to understand and describe several social and environmental phenomena; for example, interviews, focus groups, content

analysis, case studies, observation and questionnaires. Most analytical methods can generally be classified into two major categories namely: quantitative and qualitative methods (Saunders et al, 2007; Collis & Hussey 2009).

Under the above classification, this study seeks to employ both to answer research questions, by using two different methods of collecting data: (i) the disclosure index, and (ii) interview method. The disclosure index is adopted as a quantitative method to answer the research questions regarding the impact of internal factors on the level of CSED in the annual reports. Meanwhile, the interview method is used to collect data regarding the stakeholders' perceptions of external factors that affect the level of CSED practices. Generally, it is imperative to discuss the research methods adopted in this study in order to provide a research method plan as a guide to describe each step of the research process.

Figure 4-2 Organisation of empirical research



4.6.1 Disclosure Index as a Part of Content Analysis Method

Content analysis has a long history in analytical use for both qualitative and quantitative data (Krippendorff, 2004). For example, it was first used in the 19th century as a method for analysing biblical texts, advertisements and political and religious speeches (Harwood & Garry 2003). Nowadays, its uses have expanded to include many areas such as: sociology, psychology, business research and applied science (Neundorf, 2002).

Several definitions of the content analysis method have been proposed in CSR literature. For example, Abbott and Monsen (1979, p.504) argue that this method is: *“a research technique for gathering data that consist of codifying qualitative information in anecdotal and literary form into categories in order to derive quantitative scales of varying levels of complexity”*

A more recent definition provided by Collis and Hussey (2009) is that content analysis is *“a method by which selected items of qualitative data are systematically converted to numerical data for analysis”* (p.165).

Content analysis has also been broadly defined in accounting literature as a systematic method of collecting and interpreting the contents of texts (whether written, visual, and audible), by employing different forms of measures like; number of words, sentences and pages (Gray et al, 1995b; Williams, 1999; Ahuvia, 2001).

However, Guthrie and Parker (1990) point out that most content analysis studies do not provide sufficient justification for the use of a unit of analysis that fits with the nature and level of data required. For example; number of words as a unit to collect and analyse data is the smallest unit of measurement. Carrying out

content analysis using word counts makes the data collection process more complex, which makes data analysis harder (Zeghal & Ahmed, 1990). Hackston and Milne (1996) argue that using words as a basis for the analysis of the content of corporate annual reports is an ambiguous measure, because it depends on guessing for words without clear meaning, which leads to the possibility of creating potentially serious disagreement between coders. Moreover, Milne and Adler (1999) argued that measuring numbers of words in this context has no meaning without understanding the whole of a sentence.

On the other hand, a sentence as a measurement unit of corporate information is considered to be the most simple and convenient method to collect and analyse the context of the texts (Walden & Schwartz, 1997). In this regard, Hackston and Milne (1996, p.84) argue that the sentence is useful in overcoming the problem of number of words. However, other researchers such as Milne and Adler (1999) and Unerman (2000) argue that the sentence is not a strong unit to analyse content, because it may give the same meaning by using a similar number of words.

Compared to counting words or sentence units, page proportion as suggested by Gray et al (1995b), is the most popular method used to measure narrative information. However, this unit has also faced some criticism; for example, it may lack credibility when analysing large amounts of data (Milne & Adler, 1999). It is also argued that page proportion can be inaccurate when calculating print size, column sizes, and pages sizes during the data collection process from annual reports, which may differ from one annual report to another (Ng, 1985, cited in Hackston & Milne, 1996).

Indeed, all of the content analysis units have the disadvantage of ignoring non-narrative information, represented in layouts (e.g., fonts, page margins) and components (pictures and graphs); this in turn leads to a decrease in the levels of disclosure (Ahmad, 2004). It can thus be argued that theoretical justifications for the units used in content analysis methods (whether word, page proportion or even sentence unit) still need to be more pronounced, especially with regard to avoiding limitations of measurement

Regardless of the positive or negative aspects on the content analysis method, Weber (1988) argues that researchers are more familiar with substantive problems in their studies and the most appropriate analytical methods to analyse their data. In this regard, Roberts et al (2005) believe that there are other measures that may be used to investigate disclosure data; specifically stating:

“More recent studies of environmental disclosures have become much more sophisticated, and have used various forms of content analysis. Content analysis-based disclosure checklists are designed to measure whether or not an item is disclosed and also to record the form that disclosure takes” (p.249)

Proceeding from the above quotation, this study seeks to employ the disclosure index as a measurement unit to collect and analyse words, ideas and meanings related to the social and environmental items in the annual reports. Hence, it should be noted that the disclosure index method involves a set of methodical procedures closely related to the objectives of this study; starting from definition of the research tool, selecting the category, defining the document used, and conducting a number of analytical tests in an attempt to achieve valid and reliable results. The next section therefore gives details of this method.

4.6.1.1 Disclosure Index - Definition

According to Hassan and Marston (2010) disclosure index method was first used in the literature of accounting by Cerf in 1961. At its simplest, this method involves analysing particular texts by assigning sub-categories into a key category.

In a clearer definition of this index, Coy et al (1993, p.122) reported that the disclosure index method is:

“A qualitative based instrument designed to measure a series of items which when aggregated gives a surrogate indicative of the level of disclosure in the specific context for which the index was devised”.

Similarly, Guthrie and Abeysekera (2006, p.11) argue that:

“A disclosure index is a research instrument comprising a series of pre-selected items which, when scored, provide a measure that indicates a level of disclosure in the specific context for which the index was devised”.

Further investigation reveals that the disclosure index *“can be used to show compliance with regulations if the items in the index are so chosen or conversely it can be used to show the level of voluntary disclosure”* (Marston & Shrivies 1991, p.195), In this context, it can be understood that the disclosure index is a set of selected items, which can be used to denote the presence/absence of disclosure items in the corporate reports, in order to verify the level of disclosure or to show the extent of compliance with regulations.

Overall, the decision to adopt the disclosure index in this study as a rigorous research strategy for corporate disclosure involves several methodological requirements, which have been also used in several previous exploratory studies (e.g. Suwaidan, 1997; Haniffa & Cooke, 2005; Ghazali, 2007; Rizk et al, 2008;

Hussainey et al 2011; Abu-Sufian & Zahan 2013). One of these requirements is to discuss the nature of analytical categories that will be included in this method (Marston & Shrives, 1991; Coy & Dixon, 2004).

4.6.1.2 Disclosure Index - Categories

Identifying the initial items that should be included in the disclosure index method as a first step to analyse the contexts of corporate reports needs to be clearly explained (Mardini, 2012). Hussainey (2004) argues that the selection of the disclosure items is based primarily on the literature review of corporate disclosure. Thus, the selection process of content analysis themes in this study must be clear and inclusive of all target categories both in theoretical and operational terms.

CSED literature has debated the number and nature of categories used in the analysis of the contents of corporate reports (Gray et al, 1995b; Milne & Adler 1999; Unerman, 2000). However, most of these discussions were concentrated on four major categories of CSER activities, namely: (i) natural environment, (ii) employees, (iii) community, and (iv) customer activity (e.g. Gray et al, 1995b; Hackston & Milne, 1996; Tsang, 1998; Williams, 1999; Milne & Adler, 1999; Longo et al, 2005). Those debates led Gray et al (1995b) to argue that some problems may be generated by identifying CSER practices within a small set of disclosure categories, specifically they reported:

“First, there will inevitably be other disclosures [that] fall outside these categories....second, these categories do not permit an easy separation of voluntary versus regulated /mandated disclosure...third, for as much comparability as possible... finally, changes over time will make previously marginal categories too narrow and cumbersome” (p.81).

As a consequence, this study intends to develop a disclosure index based on the analytical approach suggested by Ernst and Ernst (1978) as reliable and comprehensive categories for all non-financial practices in the annual reports (see Table 4.3). Thus, the points below will explain why this study depends on the key categories proposed by Ernst and Ernst (1978) to analyse the CSED practices in corporate annual reports, which will be developed and discussed in more detail in this chapter:

(i) The Ernst and Ernst index captures a variety of social and environmental activities under 7 major categories, namely: (1) Environment; (2) Energy; (3) Fair practices; (4) Human resources; (5) Community involvement; (6) Products; and (7) Other information, thereby making it, more inclusive of CSED activities than the items included in previous studies (e.g. Zeghal & Ahmad, 1990; Gray et al, 1995b; Hackston & Milne, 1996; Tsang, 1998; Deegan et al, 2002).

(ii) Moreover, Ernst and Ernst (1978) have developed an “Other information” category, which can help to avoid the criticism detailed above through addition of any new activities of CSED practices, which do not fall within the main categories (Gray et al, 1995b).

(iii) *“From a coding perspective, the Ernst and Ernst approach is likely to be more reliable than [other CSER studies]... because each coder has [specific options] for each coding decision, and consequently, far fewer possibilities for disagreeing”* (Milne & Adler 1999, p.242).

4.6.1.3 Disclosure Index - Documents Used

The disclosure index method can be applied to a variety of financial data sources, such as economic magazines, financial advertisements, company websites,

interim reports, annual reports, and managerial discussions...etc (Hassan & Marston, 2010). However, the decision-making process on the type of document that will be analysed is one of essential considerations in selecting credible and useful data in any content analysis study (Krippendorff, 1980; Unerman, 2000; Aribi, 2009).

Most CSED studies have employed corporate annual reports as a major source to collect social and environmental information (Gray et al, 1996). In addition, these studies also confirmed that the annual report is the most important source to meet the stakeholders' perceptions regarding the non-financial practices (Deegan & Rankin, 1997; Idowu & Towler, 2004; O'Dwyer et al, 2005).

Therefore, consistent with the majority of research efforts, and based on the following theoretical justifications, this study will adopt the same data source that has already been used in CSER studies:

(i) *“The annual report not only is a statutory document, produced regularly, but it also represents what is probably the most important document in terms of an organization's construction of its own social imagery”* (Gray et al, 1995b, p.83).

(ii) Annual reports give a high degree of credible information disclosed within them for all interested parties (Tilt, 1994).

(iii) Annual reports are *“the most widely distributed of all public documents produced by a company”* (Campbell, 2000, p. 84), which are available in hard copies and electronically (Yusoff & Lehman, 2006).

(iv) Annual reports are significant documents for corporations seen by a wide range of stakeholders, which help to create a company's social image (Gray et al, 1995b; Branco & Rodrigues, 2006; Guthrie & Abeysekera, 2006).

4.6.1.4 Disclosure Index - Weighting and Scoring

The disclosure index is based on two different approaches to the evaluation of the level and patterns of financial and non-financial information in several data sources (Hasan & Marston, 2010). The first approach is the weighted disclosure approach, which involves the selection of disclosure items based on assigning the relative importance of each item separately (Hasan & Marston, 2010; Elsayed, 2010). According to this approach, the process of determining the importance of disclosure items may vary from item to item depending upon the importance of each (Spero, 1979); *“thus, it gives different weight to the different disclosure items in the corporate reports”* (Aribi, 2009, p.96).

Regardless of the importance of the items used in the weighted index, this approach has faced several criticisms over its method of measurement. For example, Suwaidan (1997, p.111) noted that:

“Firstly, weights are assigned by respondents in a non-decision making context. Consequently, they may not fully reflect the importance of the items in actual decision-making; secondly, there is a tendency on the part of respondents to assign high weights to those items not currently disclosed by companies”.

Additionally, Cooke and Wallace (1989) have reported that:

“It should be noted that any scaling method for assigning weights to individual disclosure items has the potential to mislead. This is because the level of importance which is attributable to a disclosure item varies according to the entities, transactions/events, the user, company, industry and the time of the study” (p.51).

In contrast, an un-weighted approach assumes that, all items are of equal weight and relative importance. This approach depends on the assigned weight of each item to denote the presence/absence of the disclosure. Thus this approach avoids

the autonomous idea of weights in the disclosure checklist (Hasan & Marston, 2010).

Indeed, the main consideration in the un-weighted disclosure checklist is that it deals with all the items as equal, where if a company disclosed any item of social and environmental information in its annual report it will be awarded (1) and if not it will be awarded (0) in the disclosure checklist. Thus, the disclosure checklist for social and environmental practices measures the level of disclosure for each pattern of CSED; it also measures the total of CSED practices.

This study uses an un-weighted approach as a measure to evaluate the level of CSED practices in the annual reports for three reasons, namely: (i) The weighted approach is based on subjective ratings, while the un-weighted approach considers that each item of disclosure has equal importance (Haddad, 2005); (ii) Marston and Shrivies (1991) asserted that the weighted approach may affect the reliability of the disclosure index; (iii) the aim of this study is to verify the presence or absence of CSED practices; and thus, there is no need to assign many weights to disclosure items, which may be more time consuming and costly (Elsayed, 2010).

Therefore, the next step before embarking on disclosure index reliability is to develop sub-items for the disclosure index. This disclosure index will be based on the main items provided by Ernst and Ernst (1978) and by reviewing a variety of other indexes suggested in CSED literature, such as those conducted by Hossain et al (2006); Rizk et al (2008); AbdurRouf (2011); and Abu-Sufian & Zahan (2013). It should be noted that the disclosure index in this study involves indicative steps that discuss how to establish, record and calculate items in this

index to ensure the validity of the disclosure process (Weber, 1990; Abu-Raya, 2012), which can be summarised in the following points:

(i) The disclosure index checklist will be established by assigning each sub-items to the key CSED categories; (ii) it will be sent to academics in the accounting field to verify the validity of the research tool; (iii) translation of the disclosure index into Arabic will be done by the researcher and edited by an Arabic language expert before use; (iv) the researcher will encode the items to systematically extract information required; (v) the disclosure index will be calculated by adding scores (1) if an item is disclosed and (0) if it is not disclosed; (vi) Excel a sheet will be created to record disclosure items for each annual report, and to record the disclosure items in the relevant box; (vii) the last step will be preparation of an excel worksheet and transfer of all results to start the quantitative analysis process for all disclosure categories.

Table 4-3 Disclosure index

items	Sub-items	0/1	F.D	items	Sub-items	0/1	F.D	
(1) Environment	(1) conservation of natural resources			(4) Human resources	(26) profiles of employees			
	(2) repairs of environmental damage				(27) employee training programmes			
	(3) Protection of air emission				(28) occupational health and safety			
	(4) disposal of hazardous wastes				(29) employee benefits, pensions and rewards			
	(5) recycling of waste products				(30) employee holidays and vacations			
	(6) installation of wastewater treatment plant				(31) recreation clubs and public libraries			
	(7) land reclamation and forestation				(32) transportation for the employees			
	(8) other environmental disclosures				(33) other human resource disclosures.....			
(2) Energy	(9) conservation of energy			(5) Products	(34) safety information			
	(10) energy efficiency of production				(35) customer protection; product use, packaging, after-sales service and warranty			
	(11) renewable energy information				(36) information on the quality product			
	(12) using technology in energy conservation				(37) patent rights			
	(13) firms energy policies				(38) other product disclosures.....			
	(14) other energy-related disclosures				(39) activities for employees and their families			
(3) Fair practices	(15) employment of minorities			(6) Community involvement	(40) health activities			
	(16) advancement of minorities				(41) arts, sports activities			
	(17) employment of women				(42) donations and grants			
	(18) advancement of women				(43) education activities			
	(19) employment of other special interest groups				(44) seminars and conferences			
	(20) support for minority businesses				(45) public facilities (parks and gardens..etc)			
	(21) socially responsible practices abroad				(46) creating new jobs			
	(22) prevention of monopoly practices				(47) other community disclosures.....			
	(23) avoiding corruption and nepotism practices			(7) others	(48) other disclosures.....			
	(24) fair competition among businesses							
(25) other fair practices								
Total $\sum^i n$							

Note: Calculating the disclosure index by adding scores (1) if item is disclosed and (0) if it is not disclosed in the annual reports; (F.D) frequency of disclosure; this index has developed by using the studies of (Ernst & Ernst 1987; Gray et al 1995; Hossain et al 2006; Rizk et al 2008; Hussainey et al 2011; Abdurouf, 2011, and Abu-Sufian & Zahan 2013)

The table above shows that the disclosure index consists of 48 social and environmental information items distributed over 7 categories identified as follows: items 1-8 are based on environmental disclosures practices; items 9-14 include energy related activities; items 15-25 are associated with fair practices; human resources are represented by items 26-33; items 34-38 apply to the information regarding safety products; items 39-47 discuss community involvement practices; and the remaining item 48 is included to discuss any other activities that may be contained in corporate reports.

4.6.1.5 Disclosure Index - Reliability and Validity

Within the social sciences, the concepts of reliability and validity are often used to indicate the quality of measurements used and the credibility of the methods developed by researchers (Carmines & Zeller, 1991). The validity and reliability concept is one of the methodological considerations which discuss whether the search tool is relatively credible and valid before embarking on collecting the data required (Milne & Adler, 1999, Hassan & Marston, 2010).

Reliability is a concept that refers to precision of the measurement tool and its ability to predict and achieve another comparable result that is whether it can possibly be replicated in another experiment (Carmines & Zeller, 1991). In other words, the reliability test is a specific measure used to increase the credibility of disclosure categories to be meaningful prior to implementation (Milne & Adler, 1999). In particular, Hassan and Marston (2010) reported that the:

“measures of disclosure that are subject to judgment in their construction, coder error, and by definition consist of different parts (items of information, or key words, etc) must be subject to reliability tests in order to get useful inferences from employing them in research; these include for example, the disclosure index, manual content analysis, and automated content analysis” (p.25).

According to Hassan and Marston (2010), there are three methods that can be used to conduct reliability tests of a disclosure index analysis; namely: (i) test-retest, (ii) inter-coder reliability, and (iii) internal consistency. Test-retest refers to the ability of the researcher to re-evaluate the coding process of disclosure index categories on the same degree of consistency. This form has been described as one of the easiest reliability measures, but it is also described as the weakest. In addition it is costly in terms of economic and physical resources (Krippendorff, 1980; Weber, 1990; Milne & Adler, 1999).

Inter-coder reliability is used to test whether the disclosure index categories are classified in the same way by another coder; in order to get similar results even if the test is conducted by other coders (Milne & Adler, 1999). This reliability design is characterised as the strongest and most useful to test the reliability of disclosure items (Krippendorff, 2004; Hassan & Marston, 2010).

The third measure is an internal consistency, which refers to “*the extent to which the classification of text corresponds to a standard or norm*” (Krippendorff 1980, p.132). This technique involves evaluating the encoding process (Carmines & Zeller, 1991). Krippendorff (2004, p.215) asserts that “*To establish accuracy, analysis must obtain data under test- standard conditions*”; this means that this measure must be carried out by following specific rules by coders (Milne & Adler, 1999).

With regard to the validity measures, Carmines and Zeller (1979) argue that the validity concept refers to the extent by which an instrument measures what it is supposed to measure, which can be simply achieved by “*careful selection of the sample of media content to be analysed*” (Macnamara 2005, p.13). Hassan and

Marston (2010) identified three designs which are commonly used to establish the validity of research tools, namely: (i) criterion validity, (ii) content validity, and (iii) construct validity.

Criterion validity assesses whether one measure is consistent with the others being tested (Litwin, 1995 cited in Hassan & Marston, 2010). However, Carmines and Zeller (1991) argue that this procedure is less likely to be used when assessing the validity of research tools; because there are numerous criterion variables considered if the theoretical variables cannot be measured. The second measure is a content validity test, which refers to testing validity by seeking an external judgment from experts and academics (Hassan & Marston, 2010). In fact, despite argument that this measure tends to be a subjective assessment, it is considered the most widely used among validity tests (Dhaliwal, 1980). The third test is construct validity. Hassan and Marston (2010) argue that this design requires a pattern of consistent findings with prior studies. Specifically, Carmines and Zeller (1991) reported that this test focuses on the extent to which a measure performs in accordance with theoretical expectations; specifically, if the performance of the measure is consistent with theoretically derived expectations, then it is concluded that the measure is construct valid.

Generally, the reliability and validity test criterion is one of the most important issues to increase the credibility of the disclosure index used in this study. Thus, in keeping with previous studies in the CSER field (e.g. Gray et al, 1995b; Milne & Adler, 1999; Hassan & Marston 2010), the researcher will employ inter-coder reliability to investigate the research tool reliability. Additionally, this study will also adopt construct validity to enhance the validity of the items that have been considered.

4.6.1.6 Disclosure Index - Population and Sample

This study seeks to investigate the level of CSED practices by analysing the annual reports of industrial companies listed on the ASE. As such, corporate annual reports represent the main source of data. According to ASE (2012) the companies listed on ASE are classified into three patterns depending on sector type, as follow:

Table 4-4 List of companies operating in Jordan (2010-2012)

Main Sectors	No of Companies 2012	%	No of Companies 2011	%	No of Companies 2010	%
Financial Sector	106	45	109	46	110	46
Services Sector	55	23	55	23	56	24
Industrial Sector	70	32	69	30	71	30
Total	231	100	233	100	237	100

Source ASE (2012).

In order to examine the impact of corporate characteristics on the level of CSED practices, the decision was made to examine annual reports for listed companies in the industrial sector, as an appropriate sample for this study. In fact, this sector was selected for two reasons, namely:

- (i) Because the industrial sector is considered the largest sector that negatively effects the environment and society. Logically, the researcher expects that the social and environment activities within their annual reports are more numerous than other sectors (Al-Soboa, 2009).
- (ii) The industrial sector is considered one of the most important that can be divided into sub-sectors depending on the type of activity, and is thus deemed appropriate for comparison purposes of these sub-sectors.

After selecting the sample for this study, it will also be useful to establish a certain period for analysing the annual reports of the sample selected. Given that corporate social reporting is still a voluntary activity in Jordan, this study will adopt the local voluntary initiatives as a standard to determine the appropriate time for analysing data.

The Association of Corporate Governance and Responsibility (CGR) was established in 2011 as a local agency that aims to identify and enable development in the areas of CSER practices and corporate governance. Indeed, this association is the first and most important initiative on CSER practices at the local level.

Moreover, the research also considered the impact of CSED reporting before the emergence of the Arab spring in 2010, during 2011 and after 2012. The examination of these three years will provide the researcher with the opportunity to compare different scenarios and draw inferences from them, given the changes in reporting pattern and level.

Specifically, the periods 2010, 2011 and 2012 are suitable times to investigate the level of CSED in the annual reports; because the data during this period may become even more useful and more inclusive of CSED practices; another advantage for these periods is that all corporate reports can be collected using the official ASE website. A detailed explanation of the final sample of this study is provided in the next chapter.

Generally, the purpose of collecting data from the final sample is to evaluate the impact of internal factors on the level of CSED practices in the annual reports. This study therefore uses the statistical analysis method in order to answer the research questions that have been developed in the literature review and which will be detailed in the next section.

4.6.1.7 Disclosure index - Statistical Analysis

It has been argued that the correct identification of the nature of the data available assists the researcher in selecting a valid statistical model, which, in

turn helps in finding a more appropriate statistical technique for data analysis (Oppenheim, 1992). In this regard Calder (1996) argues that, within social science research there are different forms of quantitative data that can be analysed using various statistical models. These types of data are usually classified in the literature, as (i) time series data; (ii) cross-sectional data; and (iii) panel data (Gujarati, 2003; Frees, 2004).

Time series data includes a set of numerical units recorded over different periods of time (days, weeks, months, quarters, years). The second type, known as a cross-sectional data, takes place at a certain point in time for more than one unit (individual, company, sector, country, etc.). Furthermore, combining time series data and cross-sectional data together gives the third type of quantitative data known as panel data (Gujarati, 2003; Frees, 2004).

Based on the above discussion, it can be argued that the quantitative data of this study typically falls within the third category. This panel data assumes that data has been recorded across different Jordanian industrial sectors at different times (2010, 2011 & 2012). Therefore, the most appropriate regression model adopted by the study is the model devoted to the panel data¹⁰. Thus, after brief discussion of the nature of the quantitative data and the appropriate regression model for this PhD study; the second step will be choosing a statistical software package for the model below.

According to Saunders et al (2009) most traditional research into accounting disclosures has employed the statistical package for the social sciences (SPSS)

¹⁰ The analysis of panel data is used in this study as the most appropriate model for such quantitative data. However, this type of model essentially includes three sub-models (1) Pooled regression model, (2) Fixed-effect model, and (3) Random effect model. Therefore, to select the most suitable for achieving reliable results; this PhD study will apply the three models available under the panel data analysis, and then establish the most appropriate by using the Hausman test.

and Stata software as appropriate techniques to describe, compare and analyse the possible relationships between the dependent and independent variables.

In keeping with most previous studies, the researcher views the statistical analysis method as the most appropriate since the nature of the study objectives seek to explore the relationship between independent and dependent variables. Specifically, the researcher will use descriptive analysis and statistical regression test to determine the level of relationship between corporate characteristics and the level of CSED practices in their annual reports. The relationships between these variables are illustrated by the following statistical equation:

$$CSED_{it} = a_i + \beta 1 (SIZE_{it}) + \beta 2 (PROF_{it}) + \beta 3 (AGE_{it}) + \beta 4 (IND_{it}) + \beta 5 (OWN_{it}) + \beta 6 (AUD_{it}) + \beta 7 (FIN-MARK_{it}) + u_{it} + \varepsilon_{it}$$

Where:

$CSED_{it}$ = dependent variable measured by disclosure index.

a_i = the constant measure

$\beta 1(SIZE_{it})$ = Size of firm measured by total assets

$\beta 2(PROF_{it})$ = Profitability measured by return on equity (ROE)

$\beta 3(AGE_{it})$ = Age of firms

$\beta 4(IND_{it})$ = Type of industry measured by type of sub-sector

$\beta 5(OWN_{it})$ = Ownership of firm measured by government or public

$\beta 6(AUD_{it})$ = Type of auditor measured by Big-4 audit firms

$\beta 7(FIN-MARK_{it})$ = Type of financial market measured by type of market on ASE

u_{it} = Error term.

ε_{it} = Random error term

According to this equation, the statistical techniques that will be used to answer the research hypotheses can be divided into two main types; (i) descriptive analysis for disclosure index items and its sub-items for each sub-sector; and (ii) statistical analysis to measure the relationship between independent and dependent variables. These techniques will be discussed in detail in the next chapter.

4.6.2 Interviews as a Research Method to Collect Qualitative Data

As discussed in section 4.6, the interpretive paradigm in social science studies is often associated with qualitative research methods. Indeed, qualitative research methods are widely used in social sciences to generate and produce rich data on the issue being investigated. These methods involve researchers' interacting with humans, societies or investigated phenomena which enables them to collect more in depth and rich data on the phenomenon being investigated (Collis & Hussey, 2009).

Such studies commonly use various types of qualitative research methods such as: interviews, focus groups, participant observations and documentary research (Bruce, 2001). Although each method is suited for obtaining a specific type of qualitative data, Moriarty (2011) argues that:

“Interviews remain the most common data collection method in qualitative research and are a familiar and flexible way of asking people about their opinions and experiences” (p.8)

A number of researchers, such as Gilbert (1993) and Bryman and Bell (2003), believe that the interview method is considered as one of the most popular qualitative methods that used in social science research to collect or analyse qualitative data. Furthermore, Collis and Hussey (2009) argue that the qualitative interview involves asking questions and getting answers from participants about what they do, think and feel.

Similar to Collis and Hussey (2009), several researchers have also agreed that the interview method is a set of direct questions which are usually considered as one of the most effective ways to explore what people think and feel about their worlds (e.g. Patton, 1990; Healey & Rawlinson, 1994; Weiss, 1994; Maxwell,

1996; Kvale, 1996; Arksey & Knight, 1999; Denzin & Lincoln, 2003; Fontana & Frey, 2005; DeCicco-Bloom & Crabtree, 2006).

Kvale (1996) defines qualitative research interviews as: *“attempts to understand the world from the subjects' point of view, to unfold the meaning of peoples' experiences, to uncover their lived world prior to scientific explanations”* (p.1).

Furthermore, Polit and Beck (2006, p.91) provide a clear definition of the interview method: *“A method of data collection in which one person (an interviewer) asks questions of another person (a respondent): interviews are conducted either face-to-face or by telephone”*

Various studies such as those conducted by Fontana and Frey (2005); De-Cicco-Bloom and Crabtree (2006); Aribi (2010), and Myers (2013) argue that, this type of qualitative technique can be used in three valuable ways to get scientific explanations and in-depth information regarding the perceptions of individuals, namely: (i) structured interviews; (ii) unstructured interviews and (iii) semi-structured interviews.

A structured interview is a technique that depends on a set of specific questions expected to be answered within specific options for all respondents. This type of interview is very much like a questionnaire, but it is managed orally rather than in writing. In contrast, the unstructured interview also called open-ended interview intends to collect and analyse the perceptions of persons interviewed without any specific options for answers that may limit the level of interview (Denzin & Lincoln, 2000, cited in Kamla, 2005). However, it is argued that this type of interview cannot control the participants' conversation on the phenomenon under survey (Burgess, 1984).

The semi-structured interview the third type covers both structured and unstructured interviews, which can depend on closed-ended and open-ended questions. Unlike unstructured and structured interview, this type of interviews method may depend on “*additional unplanned questions being asked during interviews in order to clarify some points stated by interviewees or to clarify any other related points*” (Aribi, 2010, p.107).

This study which is an analysis of those CSED practices considered to be the most sensitive issues for internal and external corporate stakeholders, uses semi-structured interviews as a second primary method of data collection for the following three reasons:

- (i) The questions of interviews aim to collect high quality data from Jordanian stakeholders without any barriers that might be created during the meeting time.
- (ii) The interview questions intend to encourage the interviewees to raise deeper issues that would enrich the subject under discussion.
- (iii) The interview questions do not seek to obtain rigid templates of yes/no answers, which do not allow for open discussion.

Thus, based on above reasons, and given that the semi-structured interviews is considered as an appropriate method. It is chosen in the current study to collect and analyse qualitative data.

4.6.2.1 Semi-structured Interview

As previously discussed, semi-structured interviews are usually used to extend investigation into the respondents' perceptions for any targeted phenomenon. Therefore, this type of interview aims to raise several sensitive issues during the meeting time, which in turn leads to obtaining sufficient qualitative information, thus contributing to a deeper understanding of the targeted topic (Cachia & Millward, 2011).

Many social science studies use semi-structured interviews as a flexible method to adapt to unexpected changes, examples include: Easterby-Smith et al (1991); Arksey & Knight (1999); Bryman (2001); Wengraf (2001); Myers & Newman (2007); Saunders et al (2009); Aribi (2010); and Rowley et al (2012). Indeed, these studies confirm that such interviews might positively affect the path of the interview process, as it enables researchers to shift the direction of the interview to produce information from the respondents with greater detail.

In other words, this type of interview is usually organised by researchers as a series of open questions, which do not follow a formalised list of answers, in order to provide an opportunity for participants to explore more detailed issues and to gain a detailed picture about the perceptions of respondents (Bryman, 2001). In this regard, Wengraf (2001, p.5) argues that the:

“Semi-structured interviews are designed to have a number of interviewer questions prepared in advance but such prepared questions are designed to be sufficiently open that the subsequent questions of the interviewer cannot be planned in advance but must be improvised in a careful and theorized way”

As the above quotation states, it can be understood that semi structured interviews are considered a qualitative method which can create more freedom between interviewer and interviewee to both ask deeper questions and express their opinions without any restrictions.

Therefore, this type of qualitative interviews is consistent with the philosophical assumptions that support the interpretive paradigm in this study, which depends at its simplest on the understanding and analyzing of the individual's subjective perceptions through “[diving] *into the depths of human consciousness and*

subjectivity in their quest for the fundamental meanings which underlie social life” (Burrell & Morgan, 1979, p.31).

As the qualitative interview method has been identified, the next section will discuss the process of semi-structured interviews that have been conducted in the Jordanian context to explore stakeholders’ perceptions towards the external factors affecting the level of CSED practices in the annual reports.

4.6.2.2 The Process of Semi-structured Interviews

Semi-structured interviews in this study involve completing a certain set of methodological procedures, which can be considered a critical step in conducting meaningful and valid interviews. These procedures include 5 key stages, namely: (i) providing an overview of instructions and guidelines; (ii) sample selection; (iii) recording and transcription of interview data; (iv) coding, and (v) a specific focus on analysing the interviews questions and results that have been reached. More detailed steps are given below.

4.6.2.2.1 Instructions and guidelines

Before embarking on field interviews, clear guidelines for the interview process represent a first step in drawing lines of cooperation and building bridges of understanding between interviewer and interviewee. This helps to ensure that the interview steps are followed according to the researcher’s plans. Consequently, this can help to facilitate understanding and interpreting issues behind the perceptions of participants, and to gain the related valuable information regarding their personal experiences around the phenomenon being investigated (Collison, 2013). Therefore, based on the essential need to design a guideline for

interviews, the researcher provides some possible suggestions for conducting successful interviews, through the following 3 stages:

- **Before interview**

Having identified the nature of the interview questions with the supervisor, the next step is developing these questions. This step consists of finalising the interview questions in final form, which are split into two parts. The first part represents the general questions about useful patterns of CSER information for the Jordanian stakeholders and the motivations of CSED practices, while, the second part is focused on the external factors affecting the level of CSED practices. Furthermore, in order to formalise the process of interviewing, all interview questions have been covered using an official letter from the PhD supervisors. Additionally, the researcher also provided another letter from his sponsor (*the International Affairs department of Al-Albaysat University*) in order to facilitate the process during his fieldwork in Jordan (see Appendix 1 & 2).

These letters also included a brief summary of the researcher, his topic and the aim of the interview. Furthermore, the covering letter informs the participant groups that their personal details and contacts will be kept securely. The last steps before the interview process began were to choose an initial sample of participants to be interviewed. For this purpose, this study used the ASE website as a reliable source for preparing an initial list of participant for interviews.

- **During the interview**

Having developed the initial interviews schedule, the next step is to formulate a process for fieldwork visits that should be followed during the interview process.

Below are some basic steps that might be helpful during the interview time:

- (i) Make a brief introduction by researcher before starting interview and thank the interviewee for their time.
- (ii) Keep the ideas in sequence with no interruptions, even if the interviewee moves away from the context of the question.
- (iii) Interact with the interviewee by smiling, laughing, listening closely and encouragement and providing an opportunity for open-questions.
- (iv) Record all interviews data for those who have agreed to use recorders and transcribe all data for those who did not agree to use recorders.

- **After interview**

The field interviews were carried out over two months between July 2014 and September 2014. Interviews lasted between approximately 25 minutes to one hour. At the end of each interview, the researcher emphasised that:

- (i) Their information will be kept securely, and this information will be used for research purposes only.
- (ii) Those who are expecting to receive feedback about the research results will be contacted.

4.6.2.2.2 Sample selection

As mentioned in Section 4.6.2.2.1 (Before Interview), an initial sample of participants in this survey was scheduled by using the ASE website. This sample consists of 30 participants representing different types of internal and external stakeholder groups such as managers, auditors, accountants, the local community, academic researchers and government. However, after contacting these stakeholder groups, the researcher was only given access to interview 21 of the planned sample through personal connections and friends. This sample group is presented in Table 4.5 below.

Table 4-5 Profile of Jordanian interviewees

No	Type of Stakeholder	Name of stakeholders	No of planed sample	Total of planed sample	No of final sample	Total of final sample
1	External stakeholders	Local Community	3	30/30	2	21/30
2		Academic Researchers	4		3	
3		Government	4		2	
4	Internal stakeholders	Investors	5		3	
5		Auditors	6		5	
6		Managers	8		6	
Total.....			30/30	100%	21/30	70%

Table 4.5 shows that various types of Jordanian stakeholders were selected in this study for interview; from both internal and external stakeholder groups. This classification of the sample is closely associated with the concept of stakeholder theory, along with the assumptions of the interpretive paradigm underpinning the current study, which involve gaining a deeper understanding of the different views of stakeholder groups.

Table 4.5 also shows that the response rate was satisfactory, as it constitutes 21 participants out of a total population of 30, (70% of total sample size). It should be noted here that the above sample of stakeholder groups represents part of the same sample of industrial companies whose corporate annual reports were collected in the disclosure index stage (see Section 5.2.1).

The reason for choosing this compatible sample was to gather various and in-depth interpretations from the different perspectives for the same questions.

4.6.2.2.3 Recording and Transcription

According to Hanafi (2006), there is no doubt if the interviewees have given the researcher permission to record their perceptions and their views, the process of interviews analysis is easier and deeper. However, given “*the interviewee’s anxiety about confidentiality and the use to which any information divulged can be put*” (Easterby-Smith et al, 1991, p.139), such permission often cannot be obtained and therefore, in this case, handwritten notes are the best solution in order to record as many responses as possible.

Unlike digital recording software, the process of transcribing interviews may usually take much longer to record all relevant aspects of required data.

However, transcribing interviews by taking notes often gives the researcher a chance to capture more relevant ideas, which is also considered much more effective than reliance only on the researcher's memory to recover required data, thus increasing the accuracy in the analytic process.

In the current study, a request to record the interviews was sent to 21 respondents before conducting interviews. Only 16 of respondents agreed to this. Transcribing interview data covered the 5 participants who did not agreed to use of recorders software during any time of the interview.

It should be noted that all interviews, whether recorded or transcribed, were conducted entirely in Arabic, then the relevant data were translated into English and transferred into a Microsoft Word file. These steps were conducted in order to facilitate the process of coding data, which can potentially help to analyse the data.

4.6.2.2.4 Coding the interview data

Once the interview data is recorded and translated, the coding process is implemented. This process can be run as an initial analytical procedure “*for generating rich theoretical categories that enables researchers to move beyond identification of themes and unrelated constructs*” (Spiggle, 1994, p.491). According to Gillham (2000) the process of coding is typically based on two essential strands in order to start a systematic analysis: “*(i)...identifying the key questions, substantive points... (ii) Putting them into categories*” (p.59).

According to Strauss and Corbin (1998), there are three types of coding categories which can be used to analyse qualitative data; (i) open coding, (ii)

axial coding, and (iii) selective coding. Open coding is a process designed to create specific thematic patterns by reading the textual data, and then summarising/assigning relevant thoughts and meanings to the data next to each other in separate labels. Axial coding, the second type, refers to the process of exploring similar relationships in the data by linking relevant thoughts under a number of categories. While selective coding is *“the process of selecting the core category, systematically relating it to other categories, validating those relationships, and filling in categories that need further refinement and development”* (p.116).

Although both Strauss and Corbin (ibid) provide these possible categories for coding interview data; Bogdan and Biklin (1998) argue that the selection process for any kind of coding categories depends on the nature of the research questions or hypotheses.

Therefore, considering the nature of this study, which seeks to examine specific themes of perceptions of stakeholders regarding CSED practices in the Jordanian context, the key themes of the interviews have been determined in advance. Thus, this study tends to use open coding as a suitable process for analysing qualitative interviews.

In the light of previous experiences related to the process of coding data in qualitative analysis, open coding in this study is based on a series of practical steps used to facilitate a coding system of the relevant interview data. This process can begin through a deep reading for relevant data from the participants' perceptions, and then giving a code name for each interviewee, so as to ensure anonymity. Furthermore, at this stage, it is much better to prepare a separate

page devoted to each interviewee, in order to facilitate the process of analysing data. Table 4.6 displays various types of stakeholders with their related codes.

Table 4-6 Information regarding coding framework of interviewees

No.	Code	Type of Stakeholders		No	Recording Yes/No
1	EX1LC	External stakeholders	Local Community	2	Yes
2	EX2LC		Local Community		Yes
3	EX1AR		Academic Researchers	3	NO
4	EX2AR		Academic Researchers		Yes
5	EX3AR		Academic Researchers		Yes
6	EX1GO		Government	2	Yes
7	EX2GO		Government		NO
8	IN1IN	Internal stakeholders	Investors	3	Yes
9	IN2IN		Investors		NO
10	IN3IN		Investors		Yes
11	IN1AU		Auditors	5	Yes
12	IN2AU		Auditors		NO
13	IN3AU		Auditors		NO
14	IN4AU		Auditors		Yes
15	IN5AU		Auditors		Yes
16	IN1MA		Managers	6	Yes
17	IN2MA		Managers		Yes
18	IN3MA		Managers		Yes
19	IN4MA		Managers		Yes
20	IN5MA		Managers		Yes
21	IN6MA		Managers		Yes
Total	21 interviewees				

Despite the importance of the analytical methods used in collecting and analysing the quantitative data in social science research; Laughlin (1990, p.94) argues that this research needs to complement its theoretical work by greater exposure to a range of empirical qualitative studies. Momin (2006) specifically asserts that an interview is the most familiar method for analysing qualitative data in exploratory research.

Several CSER studies have interview surveys as the commonest method used for investigating social and environmental issues, especially those related to evaluating the level and extent of CSED practices in corporate reports (O'Dwyer,

2002:1999; Ahmad, 2004; Momin, 2006; Silberhorn & Warren 2007; Belal & Owen, 2007; Islam & Deegan 2008; Belal & Roberts, 2010; Momin, 2013).

Based on the interview method derived from previous studies; this study employs in-depth interviews as one of the qualitative techniques that aim to explore stakeholders' perceptions regarding external national factors affecting the level of CSER information in corporate reports. The selection of an interview method is based on a set of procedures that will be used to generate qualitative data and meet some of the objectives of the study. A brief explanation of this method is provided in the next section.

4.7 Summary

This chapter discussed the two main research procedures used in any empirical study in social science research, namely: methodology and method. This current study employs a research methodology by first discussing the philosophical assumptions underlying most accounting research, as suggested by (Burrell & Morgan, 1979; Chua, 1980; Laughlin, 1995; Creswell, 1998 and Collis & Hussey 2009), which in turn supports the middle-range between functionalist and interpretive paradigms as an appropriate approach to the research data.

Based on the paradigms used in this study, this chapter also outlines the two research methods used for empirical work, namely: (i) a disclosure index as a method to collect and analyse quantitative data, and (ii) semi-structured interview to collect qualitative data. These research methods will be discussed in greater detail within the next two chapters.

**Chapter Five: Empirical Analysis of the CSED Practices in
Jordan**

5.1 Introduction

As discussed in chapter four, this PhD study is concerned with the common area between functionalist and interpretive paradigms. Therefore, both quantitative and qualitative methods are employed in this study as a mixed practical approach to collect and interpret the required data. Specifically, the disclosure index method has been selected as a quantitative approach to test the impact of internal factors on the practices of CSED by industrial companies. Additionally, the next chapter will examine the perspectives of stakeholders through a qualitative approach in order to analyse the local contextual factors affecting the level of CSED practices in the Jordanian context.

The purpose of this chapter is to measure the level of CSED practices by industrial companies during 2010, 2011 and 2012. In addition, using a regression test in the “Random-Effects Model”, it also seeks to test the hypotheses about the corporate characteristics that influence the level of CSED practices. Therefore, this chapter is organised as follows: Section 5.2 identifies the sample, data collection and the pilot study. Section 5.3 includes two types of data analyses: (i) descriptive analyses and (ii) statistical analysis of panel data. Finally, Section 5.4 discusses the conclusions of this chapter.

5.2 Sample and Data Collection

Researchers in the statistical area have argued that the experimental approach of any research study is based on a variety of procedures, which regulate the data collection process from the target samples (Saunders et al, 2007). As such, the process of determining a sample is the first crucial step of this empirical research, and therefore, this process was the first empirical step towards a proper evaluation of the impact of internal factors on the level of CSED practices in the

Jordanian context. This process was briefly discussed in chapter 4; and will now be discussed in more detail.

5.2.1 The Sample

As seen in chapter 4, a preliminary investigation into the population of this study showed that the industrial sector contains 70 companies listed in the ASE during 2012, 69 companies listed in 2011 and 71 companies listed in 2010.

After reviewing the classifications of the ASE for the industrial sector, the researcher found that there are 6 companies¹¹ that are delisted from the ASE during the research period. According to the requirements of financial trading in the ASE, these companies have been excluded because they failed to meet disclosing requirements and regulations. Therefore, only 66 companies were eligible as a balanced sample of the research periods for 2010, 2011 and 2012, which is shown in the table below.

Table 5-1 The final sample size of Jordanian industrial companies

Industries Sub-sectors	1 st Market	%	2 nd Market	%	Total
Pharmaceutical and Medical	2	33	4	67	6
Chemical Industries	3	30	7	70	10
Paper, Cardboard & Printing	1	25	3	75	4
Food and Beverages	3	30	7	70	10
Tobacco and Cigarettes	2	100	0	0	2
Mining and Extraction	6	43	8	57	14
Engineering and Construction	1	13	7	87	8
Electrical Industries	0	0	4	100	4
Textiles and Clothing	2	33	4	67	6
Glass and Ceramic	0	0	2	100	2
Total	20	30	46	70	66

Table 5.1 reveals 66 industrial companies listed under different sub-sectors, as a final balanced sample in this study. Table 5.1 also shows that all companies in the industrial sub-sectors have been classified within two different levels of the

¹¹ (1) Northern (NCCO) delisted in 2010; (2) Siniora (SNRA) delisted in 2010 and 2011; (3) Mid-East complex (MECE) delisted in 2012; (4) Jor-Rock Woolid (JOWL) delisted in 2012; (5) Al-Qaria (UCVO) delisted in 2011 and 2012; (6) Amana Agricult (AMAN) delisted 2011 and 2012. (See Appendix 6)

Jordanian financial markets in the ASE. These financial markets include 20 companies with 30% in the first market and 46 companies with 70% in the second market.

According to the ASE (2014) the classification of financial markets into two categories is based on the size of corporate financial performance in dealing its securities. The first market represents the best financial performance of companies; while the second tends to be medium and small size in terms of financial performance in the ASE. In fact, this local classification of the Jordanian companies' financial performance is compatible with the nature of the study data. Therefore, it will be used as one of the internal factors that may impact the level of CSED in the corporate annual reports.

5.2.2 Data Collection

According to Saunders et al (2007) data collection can be viewed as a strategy process of gathering information and measuring variables from the target samples. This process of data collection gives the researcher more control over the research process. It also requires the identification of a highly structured approach in order to collect a large amount of reliable data from a population in an economical way (Gill & Johnson, 1997).

In this study, the researcher intends to use the following systematic steps as a first procedure in collecting data from the target population.

- (i) Data Location: The data was collected from the official website of the ASE¹², from the period of 2010, 2011 and 2012.
- (ii) Data Collection Method: The method used for data collection is called the “Disclosure Index”. This method has been developed from the literature

¹² See <http://www.ase.com.jo>

review in order to measure the level of CSED in corporate annual reports (see Section 4.6.1).

- (iii) **Data Language:** All the annual reports of the final samples are in Arabic. Consistent with this, disclosure index is translated from English to Arabic in order to (i) facilitate data collection, and (ii) to guide future researchers who are not familiar with English language.
- (iv) **Data Period:** The period of data collection starts from 01-02-2014 till 28-04-2014 (approximately 3 months).

5.2.3 Pilot Study

There are many different objectives which can be achieved by conducting a pilot study before starting the empirical work. One of the most important objectives of conducting this pilot survey is to give the researcher an initial warning that the research method is inappropriate (Teijlingen & Hundley, 2001).

Consistent with the above argument, the pilot study in this case was conducted as a type of reliability test, in order to make sure that this index is relatively credible before embarking on collecting data. Specifically, the researcher intends to use inter-coder reliability as a test to investigate the disclosure index reliability, as follows:

- (i) Based on the reliability test, the disclosure index was sent to some of our PhD students in accountancy in order to verify the validity of the research tool. A number of suggestions have been received on the structure of the disclosure index, which have had a positive impact on the development of the items of the index. All suggestions have been discussed with the student's supervisor in order to develop the disclosure index into its final form (see Section 4.6.1).
- (ii) The pilot survey was conducted on a random sample of 6 industrial companies, which represents 18 annual reports published in the ASE during the three years in question. This pilot study was conducted by two

coders (researcher & independent coder) to determine the rate of differences between coders with regard to disclosure items.

- (iii) Finally, inter-coder reliability of the disclosure index was measured by calculating the proportion of variation in the levels of disclosure items. The results of this pilot study indicate that the proportion of variation ranged between 7-9 items out of 48 items, with an average of 17%. This implies that the percentage of the agreement between coders exceeded of 80%. Thus, it could be argued that the above results allow us in this study to adopt the disclosure index as an appropriate method to collect data.

5.3 Analysis of Panel data

According to Pallant (2001) there are many different statistical models which can be used to analyse quantitative data. However, Oppenheim (1992) argues that the process of choosing an appropriate statistical model should be based on the nature of the data targeted. Therefore, as explained in chapter 4, the data in this study can be considered to be representative of both cross sectional data and time series data.

Indeed, the combination of cross sectional data with time series data is typically known as panel data (Frees, 2004). From this concept, the quantitative panel data of this study refers to the data recorded across different Jordanian industrial sectors at different times (2010, 2011 & 2012). In the panel data analysis, “Pooled regression model”, “Fixed-effects model” and “Random-effects model” are the three main approaches for analysing the panel data using the Generalized Linear Mixed Model (GLMM).

Under the regression analysis of GLMM, pooled regression assumes that all the data should be pooled under each other, with the assumption that the intercept (α_i) is usually fixed. This means that there is no contrast between intercept and

the explanatory variables (β_{it}) at different times. On the other hand, in the fixed-effects model, the intercept (α_i) varies for each explanatory variable (X_{it}), without changing the coefficients (β_{it}). This means that the intercept (α_i) allows the error terms to be correlated with the explanatory variables (β_{it}) via each group and at different times. While, the random-effect model assumes the explanatory variables (X_{it}) and the estimates of coefficients (β_{it}) are uncorrelated with the intercept (α_i). This means that the explanatory variables can be changed over time and across different groups (Gujarati, 2003; Frees, 2004).

After brief discussion of the nature of the quantitative data and the possible GLMMs; the second step will focus on choosing the most suitable model for more reliable results. It has been documented that the most common way to select a fit model is by using the Hausman test (Hausman, 1978; Hausman & Taylor, 1981; Saleh et al, 2011).

In this PhD study, the “pooled regression model” has been excluded from this analysis as its statistical assumption is inconsistent with the nature of panel data. This model assumes that there are no differences over the values of explanatory variables, whereas the descriptive analysis of the data shows that there are differences in disclosure levels across companies and over the years. As such it could be argued that the pooled regression model may lead to inconsistent results.

However, the "fixed-effects" and “random-effects” models both have potential advantages and greater accuracy to analyse panel data. Therefore, in order to determine which of the two models is most suitable for this study, the Hausman test has been employed.

Table 5-2 Hausman test for choosing the best model of GLMMs

Variables (X_{it})	(b) Fixed	(B) Random	(b-B) Difference
Size	4.37e-07	3.14e-07	1.22e-07
ROE	.007976	.0446482	-.0366722
Age	.0063663	-.000711	.0070772
OWN	-.024606	.010049	-.034655
AUD	.0702719	.0864047	-.0161328
FIN-MARK	-.0145568	-.0349539	.0203971
Prob>chi2 = 0.0691			
(Ho) Prob<chi2 = Fixed model is preferred; (Ha) Prob>chi2 = Random model is preferred			

As shown in Table 5.2, the Hausman test has been applied to select the most appropriate model. The test result shows that the value of chi-square distribution is insignificant. Specifically, the value of chi-square is (**0.0691**), which mean that the intercept (α_i) is uncorrelated with the explanatory variables (X_{it}). Therefore, with this result of chi-square value, it can be clearly argued that the random effects model is more valuable model to be used for the panel data in this study, rather than the fixed effects model.

Having determined the appropriate model to analyse the data of this study, there is another important aspect to be taken into account. This aspect relates to the additional statistical tests that can be used to obtain more relevant results. As such, Table 5.3 below gives an overview of the most useful and relevant statistical tests that can be also used for analysing the panel data in this PhD study. This will be further discussed in the next section of this chapter.

Table 5-3 Summary of the statistical tests utilised in data analysis

Statistics	Objective
1 Descriptive analysis	To describe the recorded data regarding the level of disclosure during study period.
2 Comparing 2 groups	To determine where the differences lie in order to compare the level of disclosure between two groups for each internal factor
3 ANOVA Test	To assess the statistical differences between the means of the level of CSED practices during three years 2012, 2011 and 2010.
4 Correlation Test	To estimate the strength of a linear relationship between two independent variables (corporate characteristics).
5 GLMMs- Random- Model	To investigate the relationships between corporate characteristics & CSED across industrial sectors & in different years (2010-2012).

5.3.1 Descriptive Analysis of the Level of CSED Practices

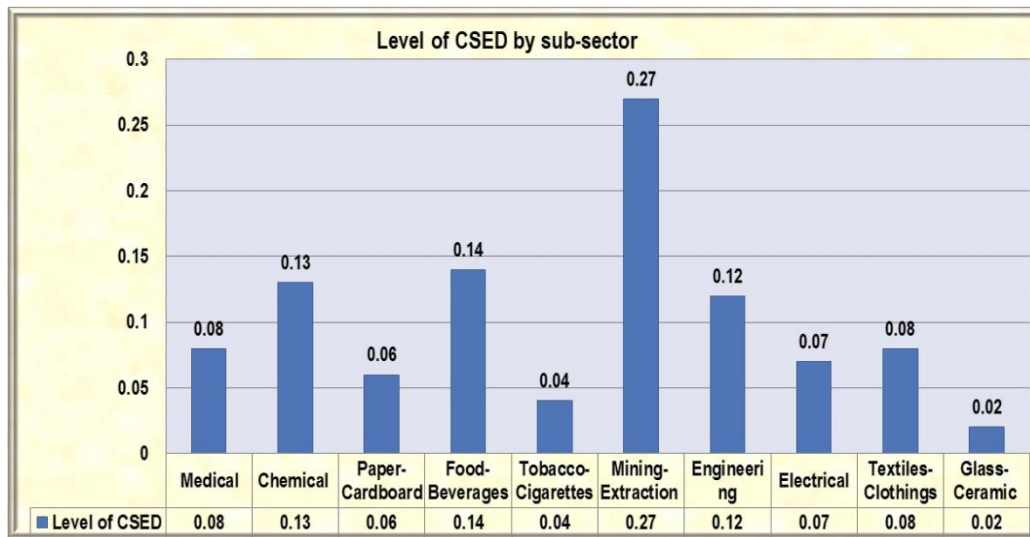
This section aims to present an assessment of the levels of CSED practices in the annual reports of industrial companies operating in Jordan. It achieves this by examining the frequencies of the volume and themes of social and environmental disclosures made in their annual reports during the study periods.

In order to carry out empirical investigation for answering the first key question raised in chapter two, this study employs different kinds of descriptive analysis. These include three types, namely: (i) descriptive analysis of the level of CSED by sub-sector; (ii) descriptive analysis of the level of CSED practices by disclosure themes, and (iii) descriptive analysis of the level of CSED during 2012, 2011 and 2010. Therefore, section 5.3.1.1 below presents the level of CSED practices by Jordanian industrial sub-sectors.

5.3.1.1 Descriptive Analyses of CSED Level by Sub-Sector

Exploring the level of CSED practices across different industries in Jordan is one of the descriptive statistics that can be used in this study to answer the research question (Q_{1.1}). For this purpose, the aggregated results on levels of CSED patterns are presented in Figure 5.1. More specifically, Figure 5.1 provides the percentage of the level of CSED in the annual reports, which was distributed over 10 sub-sectors, as shown below.

Figure 5-1 Level of CSED practices by sub-sector



The Jordanian industrial sector listed on the ASE (as can be seen from Figure 5.1) contains a set of integrated sub-industries in the manufacturing sector. According to the ASE, this sector is separated into 10 sub-sectors, namely: medical-pharmaceutical, chemical, paper-cardboard, food-beverages, tobacco-cigarettes, mining-extraction, engineering, electrical, clothing-textile, and glass-ceramic industries. This somewhat basic classification made on the basis that these sectors are not equal in the nature of their industrial activities; in addition, they are not also equal in the level of CSED practices in their annual reports.

Figure 5.1 also reveals that levels of CSED practices are partly inconsistent with the results of Ness and Mirza (1991); Gamble et al (1995); and Yao et al (2011). These studies showed that companies in environmentally sensitive industries tend to disclose more social-environmental responsibility information than others.

It is clearly shown in Figure 5.1 that the highest levels of CSED practices among the Jordanian manufacturing sectors can be spread through four sub-sectors for the period under review. These include: “mining-extraction industries”, “food-

beverages industries”, “chemical industries” and “engineering industries” which account for 27%, 14%, 13% and 12% respectively. More specifically, these four subsectors represent 66% of the overall total of CSED practices by industrial companies operating in Jordan. On the other hand, Figure 5.1 also reveals that the practices of CSED are less than 10% in the remaining six sub-sectors. These include: “medical-pharmaceutical industries”, “clothing-textile industries”, “electrical industries”, “paper-cardboard industries”, “tobacco-cigarettes industries” and “glass-ceramic industries”.

Figure 5.1 reveals that the “mining-extraction industries” have the highest levels of CSED practices in the overall manufacturing sector with 27%. Compared with the other sub-sectors, this result implies that the mining and extraction sub-sector has the highest level of disclosure of social and environmental activities in Jordan. This level of disclosure may be due to the sample size of this sub-sector which is considered one of the largest sectors in the ASE. Mining and extraction industries constitute 22% of total industrial sub-sectors listed on the ASE during the study periods 2012, 2011 and 2010 (ASE, 2014).

In contrast, “tobacco-cigarettes industries” and “glass-ceramic industries”, are considered to be highly sensitive sectors with no high level of CSED practices. Indeed, Figure 5.1 shows that these sectors recorded the lowest levels of disclosure among other Jordanian sub-sectors. Approximately 4% and 2% respectively of the overall total of CSED practices are disclosed by the two sub-sectors. This may be due to inadequate sample size of these sectors, as only two companies are listed on the ASE (see Table 5.1).

5.3.1.2 Descriptive Analyses of CSED Level by Disclosure Themes

As mentioned in chapter two, given that the disclosure on CSER information is still voluntary, there are no agreed standards in the literature about what patterns of information are required to be disclosed in the corporate reporting. As such, there are many classifications of the patterns of non-financial information in previous research (see Section 4.6.1.2).

This study has consequently adopted a range of multidimensional themes that have been discussed through review of the main themes of CSED in previous studies. Therefore, within the context of this study, environment, energy, fair practices, H.R, Product, community and other disclosures are the 7 main categories used in this study. Figure 5.2 provides the level of disclosure themes by key categories reported in the Jordanian annual reports during the period under review.

Figure 5-2 Level of CSED practices by disclosure themes

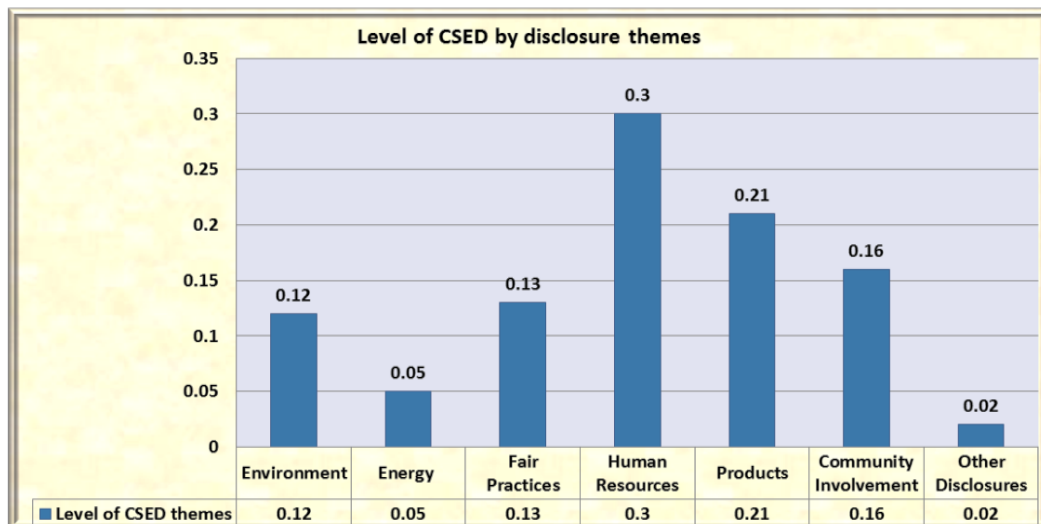


Figure 5.2 shows the overall total of the level of social and environmental disclosure distributed by disclosure themes. Specifically, Figure 5.2 shows the CSED practices made by the 66 companies during 3 years. These key themes

classified into 7 themes, namely: “environment”, “energy”, “fair practices”, “human resources”, “product”, “community involvement”, and “others disclosures”. As it is indicated, the level of disclosures for the 7 classified themes reported as 12%, 5%, 13%, 30%, 21%, 16%, and 2% respectively.

“Human resources” and “product information” reported the highest percentage with 30% and 21% respectively. Both these themes together represent 51% of the overall CSED practices in the annual reports of industrial companies operating in Jordan. In fact, this result is not surprising given that human resources issues and information related to a development product are two of the disclosure requirements stipulated in Jordanian securities regulations (ASE, 2014).

More specifically, “human resources theme” is the most reported in the annual reports of industrial companies operating in Jordan, with 30% of the overall total of CSED patterns. This result is consistent with many studies, including those by (Guthrie & Mathews, 1985; Andrew et al, 1989; Guthrie & Parker, 1990; Gray et al, 1995b; Hackston & Milne, 1996; Abu-Baker, 2000; Belal, 2001; Rizk et al, 2008; Elmogla, 2009; and Ismail & Ibrahim, 2009).

In contrast, the “energy theme” and “other disclosures” have the lowest percentage of (5% and 2%) of CSED practices in the annual reports of industrial companies operating in Jordan. Together they represent a total of 7% of CSED practices for the periods under this study. In fact, the result of the “energy theme” is consistent with the studies of Hackston and Milne (1996); Guthrie and Parker (1990); and Ng (1985).

With regard to the theme of “other disclosures”, the CSED literature does not provide any further explanation on this theme. However, this theme has been

identified in this study as a separate category in the disclosure index, which could help to include additional information that does not fall within the main categories (Gray et al, 1995b). The results in Figure 5.2 clearly indicate that the “other disclosures theme” was 2% of the overall total of CSED patterns.

The percentages of the overall total of CSED patterns in the figure 5.2 lead this study to investigate the sub-themes of CSED practices in the annual reports using Table 5.4 below.

Table 5-4 Level of CSED practices by sub-themes

items	Sub-items	%	Total	items	Sub-items	%	Total
(1) Environment	(1) conservation of natural resources	26%	12 %	(4) Human resources	(26) profiles of employees	30%	30 %
	(2) repair of environmental damage	5%			(27) employee training programmes	24%	
	(3) protection of air emission	12%			(28) occupational health and safety	12%	
	(4) disposal of hazardous waste	10%			(29) employee benefits, pensions and rewards	16%	
	(5) recycling of waste products	9%			(30) employee holidays and vacations	2%	
	(6) installation of wastewater treatment plant	7%			(31) recreation clubs and public libraries	0%	
	(7) land reclamation and forestation	5%			(32) transportation for the employees	6%	
	(8) other environmental disclosures	27%			(33) other human resource disclosures.....	9%	
(2) Energy	(9) conservation of energy	30%	5 %	(5) Products	(34) safety information	7%	21 %
	(10) energy efficiency of production	29%			(35) customer protection; product use, packaging, after-sales service and warranty	20%	
	(11) renewable energy information	7%			(36) information on the quality product	47%	
	(12) using technology in energy conservation	11%			(37) patent rights	12%	
	(13) firms energy policies	23%			(38) other product disclosures.....	14%	
	(14) other energy-related disclosures	0%					
(3) Fair practices	(15) employment of minorities	11%	13 %	(6) Community involvement	(39) activities for employees and their families	5%	16%
	(16) advancement of minorities	10%			(40) health activities	6%	
	(17) employment of women	2%			(41) arts, sports activities	6%	
	(18) advancement of women	2%			(42) donations and grants	33%	
	(19) employment of other special interest groups	3%			(43) education activities	36%	
	(20) support for minority businesses	7%			(44) seminars and conferences	1%	
	(21) socially responsible practices abroad	2%			(45) public facilities (parks and gardens.etc)	2%	
	(22) prevention of monopoly practices	4%			(46) creating new jobs	5%	
	(23) avoiding corruption and nepotism practices	22%			(47) other community disclosures.....	6%	
	(24) fair competition among businesses	33%					
	(25) other fair practices.....	3%		(7) others	(48) other disclosures.....	2%	

Table 5.4 reveals that the patterns of CSED practices are reported in different proportions in the annual reports. For instance, the “environment information” represents 12% of the overall total of CSED practices. This percentage is distributed over 8 sub-themes according to the frequency of disclosure in the corporate annual reports as shown in the above Table 5.4. Under the “other environmental disclosures”, the International Organization for Standardization (ISO 14001) in environmental management has the highest disclosure level of 27%. This highest score by (ISO 14001) could be attributed to efforts by the Jordanian government to apply a national environmental management program through the international environmental standards.

Despite the fact that the “energy” pattern is a practice limited to 5% of the overall total of CSED practices in the corporate annual reports. Table 5.4 shows the frequency percentage of disclosure related to “conservation of energy” as 30%, which represents the highest CSED among the sub-themes. This is because the conservation of energy has become a challenge for Jordan, especially after multiple attacks on the pipelines that carry Egyptian natural gas to Jordan which have led to an increase in electricity prices.

“Fair practices” represents the third theme of CSED patterns with 13% of the total of CSED practices in the annual reports. Thus, fair competition among firms accounts for 33% of the total fair practices theme. In fact, this percentage is the third highest rate of disclosure of patterns among the overall CSED sub-patterns.

The “human resources” theme as a pattern of CSED practices represents several aspects related to employees' activities within the firms. This pattern of disclosure covered 30% of the total CSED practices by industrial companies

operating in Jordan, which reflects the attention paid by these companies to their human resources activities. On the other hand, the sub-pattern related to “general profiles on employees” is the highest informative item in the Jordanian annual reports with 30% under the human resources theme.

With regard to the theme of “product information”, Table 5.4 also shows that the rate of frequency of this pattern of information is 21% of the overall total of CSED practices in the annual reports. This result indicates that there is a good level of attention to this theme, contrary to the results of previous studies (see Guthrie & Parker 1990; Gray et al, 1995b) which found an insignificant amount of product disclosure in the annual reports. In this study, information on product quality is the highest among the overall sub-patterns in the annual reports with 47%. This result indicates that industrial companies operating in Jordan comply with the ASE requirement as product quality is one of the ASE’s mandatory corporate reporting requirements (ASE, 2014).

The theme of “community involvement” is reported with a moderate level of disclosure in the annual reports by 16% of the overall total of CSED practices. Moreover, the disclosure on this theme suggests that supporting education activities is second highest level of the disclosure practices in the annual report with 36%. In fact, this result is a reflection of another of the mandatory requirements for the disclosure of education support in the annual reports issued by the Securities Commission (ASE, 2014).

Compared to the disclosure index themes in this study, disclosure of “other information” theme records the lowest total percentages of CSED practices in the corporate annual reports. This result conforms to the finding of Ernst and Ernst

(1978). The total result under the theme of “other information” represents only 2% which is insignificant compared with other key themes of CSED practices (i.e. Environment; HR; Fair practices; Energy; Product; and Community involvement) in industrial companies operating in Jordan. However, most of the disclosures under this theme have focused on the negative impact of the Arab Spring on corporate non-financial performance.

5.3.1.3 Descriptive Analyses of CSED Practices during the Study Period

This section describes the level of CSED practices for the period under review as indicated in Figure 5.3 below. The figure shows that in the corporate annual reports all the CSED themes have reported nearly close range percentages over the three-year period. In fact, the total amount of CSED practices during 2010, 2011 and 2012 are 35.9%, 31.6% and 32.4% respectively. These results can be viewed in figure 5.3 below.

Figure 5-3 Total levels of CSED practices during the 2010, 2011 & 2012

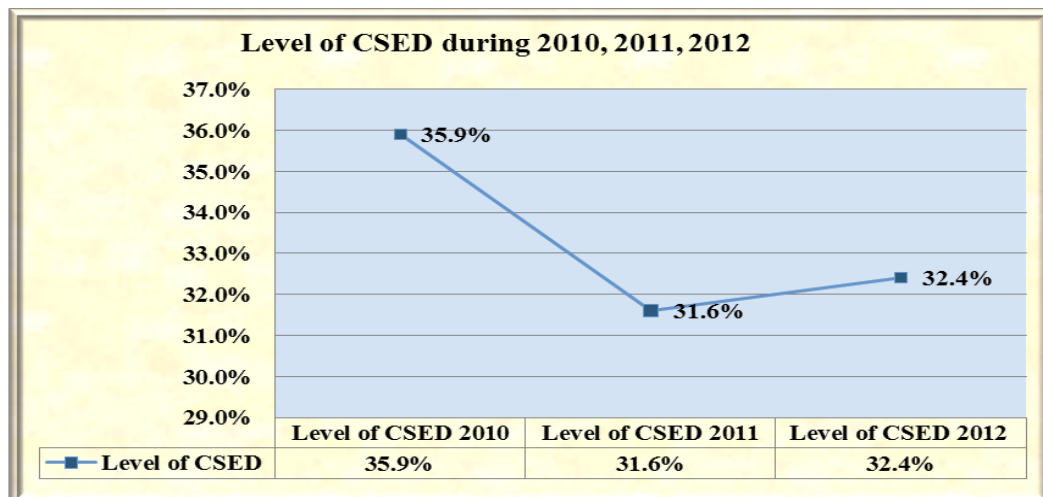


Figure 5.3 shows that an insignificant decrease in the total level of CSED practices from 35.9% in 2010 to 31.6% in 2011. Moreover, the period between 2011 and 2012 indicates a slight increase from 31.6% to 32.4% in the level of

CSED practices in the corporate annual reports. This result is consistent with the studies of Belal (2001); Hossain et al (2006); Rizk et al (2008); Ismail & Ibrahim, 2009; Uwuigbe et al (2011); and Eljayash et al (2012), who found that the level of CSER disclosure is relatively low in corporate reporting.

CSED is most widely documented as a voluntary corporate activity and this is also the case in Jordan. Therefore, corporate organizations in Jordan could be making disclosures such that they disclose more at a particular and disclose less in another given time. This could primarily be explained by the voluntary nature of the disclosures rather than other reasons outside the corporate organisation. However, in the context of this study, a possible reason to explaining the declining disclosures between 2010 and 2011 is the Arab Spring.

Although Jordan has not witnessed the Arab Spring within its borders, it had an impacted on the country as it is now experienced: (i) a declining exchange rate (ii) a declining credit rating; and (iii) divestment decisions from Jordan. These business risks may be the explanation for corporate focus on more financial disclosures and fewer or virtually no non-financial disclosures during the period. This could also be the possible explanation for the falling social and environmental disclosures in 2011. Apparently having overcome the aforementioned business risks that may affect the companies and their activities, they started focusing on non-financial disclosures again in 2012, as evidenced by increasing disclosure levels.

Consistent with above discussion, it could be argued that critical analysis of the effects of Jordanian contextual factors on CSED practices is required in this study to provide more empirical evidence in explaining a firm's behaviour

towards such practices. Thus, the next chapter of this study will help to investigate the impact of Jordanian national factors on CSED practices.

Again, the main purpose of this chapter is to explore the internal characteristics that determine voluntary disclosures in Jordan. Therefore, statistical techniques are employed in this study to provide more specific conclusions about the relationship between company characteristics and their disclosure in Jordan. It is also useful to enhance the results that are obtained from the descriptive analysis in the previous sections. Thus, the relevant statistical techniques used in analysing the data are discussed in the next sections.

5.3.2 Statistical Analysis of the Level of CSED Practices

The descriptive analyses in the preceding sections have showed that there are variations in the level of CSED practices in the corporate annual reports. This section will analyse the causal relationships between the levels of disclosure for each internal factor using the regression model. In addition, it will analyse further statistical relationships among the explanatory variables using different statistical tests. The statistical tests used in this study are summarised as follows:

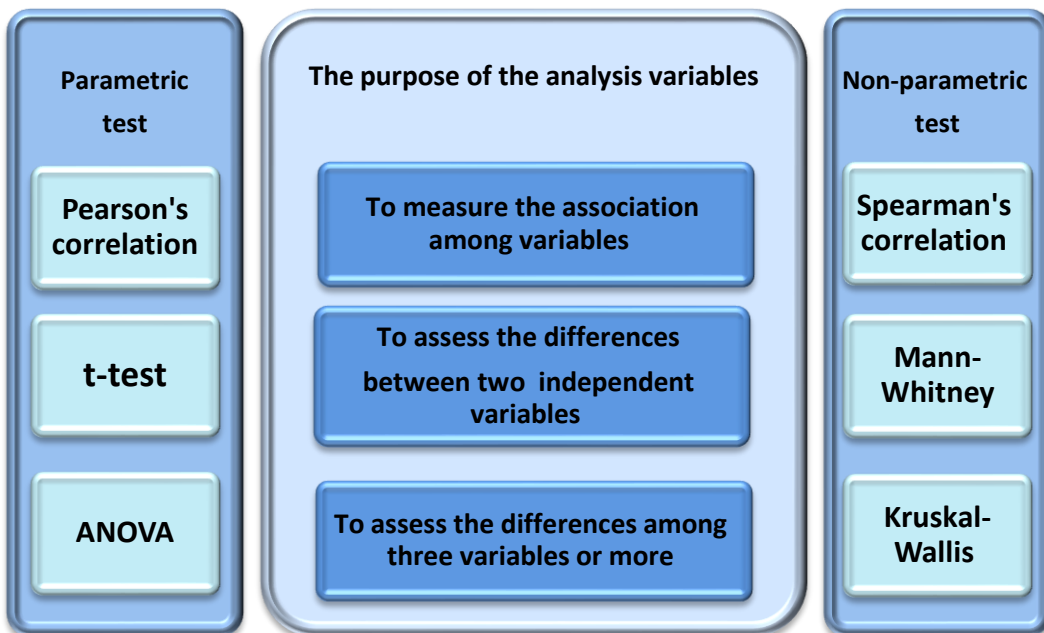
- (i) Comparing the level of CSED practices with each two group of corporate characteristics separately, by using T-test and Mann-Whitney test.
- (ii) Assessing the statistical differences among the levels of CSED practices over 2010, 2011 & 2012, by using the analytical variances test (ANOVA).
- (iii) Measuring the association between the levels of CSED practices with each factor of corporate characteristics, by choosing the random effects model.

Although previous empirical studies have employed many types of statistical techniques to analyse different types of quantitative data, a number of statisticians believe that all statistical tests can be divided into two groups. These

include: (i) parametric tests, and (ii) non-parametric tests. However, it is documented that choosing the appropriate statistical test depends on the results of the test of normality (Ince 1998; Oliver & Mahon, 2005; Field, 2009; Elsayed, 2010).

As shown in figure 5.4 below, selecting parametric tests requires that the data must be normally distributed. If the data are not normally distributed, then non-parametric tests should be selected.

Figure 5-4 Parametric and non-parametric tests



As mentioned above, in order to obtain statistically significant results, there is a fundamental condition to choose the right statistical tests. This condition is to verify of the normal distribution of the data, whether it's normally distributed or not. Taking into account this condition, the normal distribution test will be conducted in order to determine the appropriate statistical tests for this study. Table 5.5 present the results of the normality distribution tests.

Table 5-5 Test of normality of the variables

Factors	Skewness	Kurtosis
CSED	.135	-.262
Size	5.386	29.361
ROE	-.784	.251
Age	.694	-.538
Industry	.039	-1.068
Ownership	2.868	6.288
Audit Firm	.838	-1.312
FIN-MARK	-.526	-1.741

(1)Skewness value of normal distribution is ± 1.96 ; (2) Kurtosis value of normal distribution is ± 3

Table 5.5, provides us with the Skewness and Kurtosis values for each of the variables. Skewness and Kurtosis are the most common tests for determining whether the data is normally distributed or not (Field, 2009). From the results of the Skewness and Kurtosis in Table 5.5, the variables CSED, ROE, IND, AUD, FINPER and AGE show that the values are within (**± 1.96 and ± 3**). This suggests that the variables are normally distributed. Hence, parametric test of Pearson's correlation, T-test and ANOVA will be conducted on these variables. However, the variables SIZE and OWN are not within the normality distribution range of ± 1.96 and ± 3 . Therefore, Spearman's correlation and Mann-Whitney tests will be used as non-parametric techniques on these variables. In the next section, the parametric and non-parametric test will be discussed on all the variables. Hence, the following statistical techniques are used.

5.3.2.1 Correlation Coefficient Test

Correlation coefficient test is one of the most important techniques used to detect whether the study variables are highly correlated with each other or not. To conduct the correlation coefficient matrix there are two key statistical tests, namely: (i) Pearson's and (ii) Spearman's correlation. These tests are in fact based on the result of normality test; if the variables are normally distributed, it is better

to choose a Pearson's correlation coefficient; if not, Spearman's correlation is suitable for data with non-normal distribution (Field, 2009).

Based on the result of non-normal distribution among the different disclosure variables, Spearman's test correlation in this study is performed as a type of non-parametric test to assess the level of correlation between each two disclosure variables. Table 5.6 presents the result of Spearman's correlation test between different factors of corporate characteristics.

Table 5-6 Spearman's correlation coefficient of the study variables

FACTORS		CSED	SIZE	ROE	AGE	IND	OWN	AUD	Fin-M
Spearman's rho	CSED	Correlation(r) Sig(p)	1.000						
	Size	Correlation(r) Sig(p)	.668** .000	1.000					
	ROE	Correlation(r) Sig(p)	.096 .177	.164* .021	1.000				
	Age	Correlation(r) Sig(p)	.151* .034	.027 .706	-.057 .425	1.000			
	IND	Correlation(r) Sig(p)	.023 .747	.052 .467	-.087 .222	.017 .816	1.000		
	OWN	Correlation(r) Sig(p)	.365** .000	.365** .000	.022 .757	.139 .050	-.020 .784	1.000	
	AUD	Correlation(r) Sig(p)	.380** .000	.245** .001	-.090 .208	.467** .000	.104 .143	.398** .000	1.000
	Fin-M	Correlation(r) Sig(p)	-.284** .000	.329 .080	-.129 .070	-.049 .490	.039 .582	-.155* .029	-.027 .704	1.000

Notes: (**P) is significant at 0.01; (*p) is significant at 0.05. Correlation Values: (1) Perfect; (0.9-0.7) Strong; (0.6-0.4) Moderate; (0.3-0.1) Weak; (0) Non-correlation (Dancey & Reidy 2004).

Table 5.6 shows that there are no high correlations among variables except the correlation between “CSED” and “Size” ($r=.668$ with $p=.000$). In fact, this type of the correlation coefficient is usually not a concern; as it is mainly caused by different types of variables.

With regard to the correlation coefficient between independent variables, Table 5.6 indicates that Spearman's test does not show any problems of collinearity as

a serious problem for this study. In most cases, weak correlations are the dominant relations of the study variables. More specifically, all the correlations of the independent variables are ranged between ($r=-.020$ with $p=.784$) and ($r=.467$ with $p=.000$).

Despite the non-high correlations between two variables, there is positive and negative statistical significance among correlations. For example, the correlations between “CSED” with “OWN” and “AUD” are positively significant at 0.01 level ($r=.365$ with $p=.000$) and ($r=.380$ with $p=.000$) respectively. This means that as the ownership structure and audit firm increase, companies are likely to increase the level of CSED practices. In contrast, negative significant correlations are found between “CSED” and “FIN-MARK” ($r=-.284$ with $p=.000$). This indicates that the decreasing in the level of financial market may lead companies to provide more CSED practices.

As such, it can be considered the correlation between “CSED” and “SIZE” variable is the highest level of correlation among variables ($r=.668$ with $p=.000$). However, this high correlation cannot explain the existence of the collinearity problem, because this kind of association, as mentioned above, is between the dependent variable and independent. With regard to this issue, Anderson et al (1990) argue that: “*Multicollinearity is a potential problem if the absolute value of the sample correlation coefficient exceeds .7 for any two of the independent variables*” (p.575).

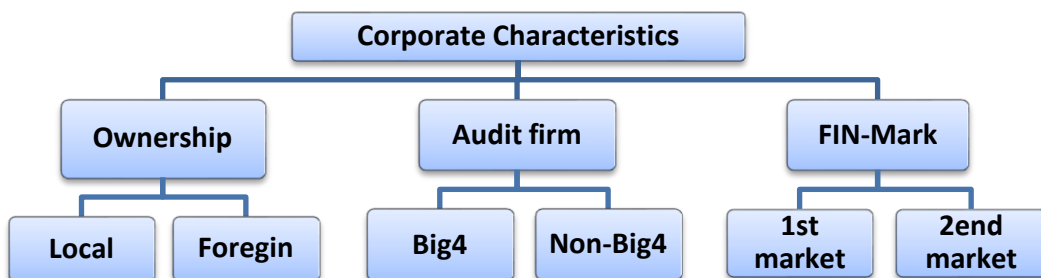
From a statistical point of view, Field (2009) believes that to ensure that the problem of collinearity does not exist among variables; the multicollinearity test

must be verified. Thus, the test of multicollinearity as an extra analysis will be run through the Variance Inflation Factor (VIF) and Tolerance. These tests will be discussed in the section on regression assumptions (see Table 5.12).

5.3.2.2 Comparing Means Between Two (or more) Groups

To measure and compare the means of two independent groups on a dependent variable, there are two types of statistical techniques that can be employed. These techniques include: (i) T-test as a parametric test and (ii) Mann-Whitney as a non-parametric test (Ince, 1998; Field 2009). Based on the results of the normal distribution test explained above, both the T-test and Mann-Whitney test is used in this study, in order to determine which of the independent groups of corporate characteristics have more influence on the level of CSED practices. Figure 5.5 shows the categorical independent variables of corporate characteristics.

Figure 5-5 Two Independent variables of this study



As noted in the test of normality, the data of the “Ownership” variable is not normally distributed, unlike the data about “Audit firm” and “Type of financial market”, which are normally distributed. Therefore, the Mann-Whitney test would be appropriate to test the differences between local and foreign ownership structure. While, the T-test will be run for the independent groups of type of audit firm and type of financial market.

5.3.2.2.1 Mann-Whitney Test

The Mann-Whitney test is employed in this study to examine the null hypothesis (H_0), that there is no difference in the level of CSED practices between locally-owned firms and foreign-owned firms in Jordan. In fact, this test is specifically used to determine whether the local or foreign ownership structure has a greater influence on the level of voluntary disclosures in the annual reports of listed industrial companies in the ASE. Table 5.7 provides a summary of the results of the Mann-Whitney test on the level of CSED practices between the local and foreign groups.

Table 5-7 Mann-Whitney test for type of ownership structure

Mann-Whitney test					
Variable	Independent Groups	Observ	Mean Rank	Z-value	Sig. p-value
Ownership Structure	1 – local	60	92.91	-5.126**	.000
	2 - foreign	6	165.44		

Accept (H_0) if Z value between (± 1.96); and Reject (H_0) if Z value < -1.96 or > 1.96 .
 Z^{**} = if p-value Sig at the (<0.01) level; and Z^* =if p-value Sig at the (<0.05) level.

As shown in Table 5.7, the result of the Mann-Whitney test indicates that the Z-value has exceeded the standard value ± 1.96 with $p=0.000$ sig. This means that the level of CSED practices in the annual reports is significantly different from the type of ownership structure of industrial companies operating in Jordan.

The Mann-Whitney test statistic (-5.126^{**}) indicates that the differences in the level of CSED practices between the local and foreign groups is statistically significant at the 0.01 level of confidence. Therefore, we are extremely confident that the level of social and environmental disclosure in companies owned by foreign nationals is different from locally-owned companies with the rank values (**165.44** and **92.91**) respectively. More specifically, comparison of mean ranks of

the above variable indicates that, foreign-owned companies disclose more about their social and environmental activities than locally-owned companies in Jordan.

The logic behind these results is that voluntary disclosure is often correlated with the dispersion of ownership structures, whether in Jordan or anywhere else. In the Jordanian context, this could be attributed to the fact that companies owned by foreign nationals are more likely to respond positively to respond to social and governmental pressure.

In fact, this result supports the theoretical foundation suggested by stakeholder theory, that companies with a diversified proportion of ownership structures are usually “*willing to share their CSER information with the public*” (Yao et al 2011, p.25). This is consistent with studies by (Haniffa & Cooke, 2005; Huafang & Jiangu, 2007; Ghazali, 2007; Ismail & Ibrahim, 2009), which found that foreign-owned companies disclose more voluntary information than locally-owned companies.

Overall, based on the results in Table 5.7, it can be concluded that the null hypothesis ($H0_5$) is not correct, and this thus leads us to accept the alternative hypothesis (Ha_5).

5.3.2.2.2 T-Test

The independent sample T-test is used to compare the difference in the means from the two independent groups, which usually require a parametric data (Field, 2009). Therefore, given that the variables of “Audit firm” and “Financial-performance” were normally distributed, the t-test is the most common statistical test used to produce valid results. Table 5.8 provides the parametric statistical

results of the T-test regarding the existence of significant differences among independent groups.

Table 5-8 T-test for the type of audit firm and type of financial market

T-test				
Variables	independent groups	Mean	T-value	Sig. p-value
Audit firm	0-NonBig-4	.4409	-5.876**	.000
	1-Big-4	.5585		
Financial market	1-First market	.4463	-4.162**	.000
	2-Second market	.5289		

Accept (Ho) if p-value (>.05); and Reject (Ho) if p-value (<.05)

Z**= if p-value sig at the (0.01) level; and Z*= if p-value sig at the (0.05) level

From Table 5.8, p-values of the variables of “audit firm” and “financial market” are both less than 0.01 (p-value <.001). This implies that the results can be 99% confident that there are significant differences between the means of the independent groups. It is therefore important to understand that this significant difference in each of the two independent groups with the level of social and environmental disclosure in the annual reports is not due to random chance.

With regard to the type of audit firm, the differences between the means of two independent groups are statistically significant. More specifically, by comparing the means of the two groups “Big-4 auditors” with “Non-Big-4 auditors”, it is clear from Table 5.7 that the former’s mean is greater (.5585 > .4409). This result shows that there were significant differences in the level of CSED practices between Big-4 and Non-Big-4 groups. This implies that companies audited by Big-4 auditors disclose more of their social and environmental activities in their annual reports than those companies audited by non-Big 4 auditors, in the Jordanian context. As such, it can be concluded on the basis of the above result that the null hypothesis (**H0₇**) is false.

In fact, this result provides evidence in support of stakeholder theory in the context of a less developed country like Jordan, as argued by Elsayed (2010): *“Big-4 audit companies have a legal liability towards the stakeholders who depend on audited financial statements when making their decisions. This legal liability puts more pressure on the Big-4 companies to ensure that their clients have disclosed the required level of information to their stakeholders”* (p.152)

With regard to the “type of financial market”, it is also clear that there is a significant difference between the means of the two independent groups. As shown in Table 5.8, the difference between the means of the “First market” and “Second market” with the level of CSED practices are **.4463** and **.5289** respectively. This result implies that the companies listed in the second market of the ASE are more inclined to disclose their social and environmental activities in their annual reports than the companies listed in the first market.

This result may be due to the fact that the companies listed in the second market may face tougher legislation regarding disclosure in their annual reports than the first market. In addition, it could be argued that companies listed in the second market are often worried about a potential delisting decision from the ASE, in case they fail to meet the listing requirement. Therefore, they tend to engage in more voluntary actions with their stakeholders more than others.

On the basis of the above results we can therefore reject the null hypothesis (H_{010}). In other words, we can conclude that the level of corporate social and environmental disclosures is negatively associated with the type of financial market in the Jordanian context. In general, both the Mann-Whitney test and T-

test for two independent variables show a kind of similarity in the results at 0.01 levels. This gives us more confidence about the data analysis process, especially in the regression analysis.

After discussing the differences between two independent groups, the next section of this chapter is allocated to compare the means of more than two groups. Specifically, ANOVA (i.e. Analysis of variance) is used to assess the statistical differences between the means of the level of CSED practices during the study periods 2010, 2011 and 2012, as discussed below in the next subsection.

5.3.2.3 ANOVA Test

ANOVA is used to assess the statistical differences between the means of two or more groups of the parametric data (Field, 2009). Consistent with the argument above, it seems that the test of ANOVA is a suitable technique for comparing the differences in the level of CSED practices during the study period. Furthermore, it is also fit to discuss the reasons (if any) behind the differences in the level of social and environmental information during the study period.

As such, the ANOVA test is used in this PhD study in order to answer the third sub-question (Q_{1.3}). This test has been chosen to determine whether there are differences in the level of CSED practices over 2010, 2011 and 2012. Therefore, for this purpose, Table 5.9 presents the main results of the ANOVA test which will help to explain the level of differences in the practices of CSED in Jordan during the observed period.

Table 5-9 ANOVA test for the differences in CSED level over 3 years

ANOVA test				
Variables	Years	Mean	F value	Sig. p-value
Level of CSED Practices	2010	.4653	.110	.895
	2011	.4726		
	2012	.4836		

Accept (H₀) if p-value (>.05); and Reject (H₀) if p-value (<.05)

F**= if p-value sig at the (<0.01) level; and F*= if p-value sig at the (<0.05) level

Data analysis by using the one way ANOVA test shows that there are no significant variations in the level of CSED practices during the study period. Statistically, this test reveals that the differences in the level of CSED practices during 2010, 2011 and 2012 were insignificant by **p-value .895**.

Table 5.9 also shows that the differences between the means of the level of CSED practices for each year were very small. Specifically, the rates of the means for survey periods are **.4653**, **.4726** and **.4836** respectively. Thus, in general, it can be argued that the levels of CSED practices for all 3 years did not follow a clear upward trend in the Jordanian context. This result is strongly supported by the descriptive analyses of the level of CSED practices in section 5.313 (see Figure 5.3).

Based on the results of ANOVA test of this study, we cannot reject the null hypothesis (H₀), which states that there are no significant differences in the level of CSED practices during 2010, 2011 and 2012 in the Jordanian context.

Finally, the remaining section of this chapter will discuss whether there are any relationships between corporate characteristics and the level of their CSED practices, by conducting the regression analysis.

5.3.2.4 Regression Test for Panel Data

According to Field (2009), regression models have many quantitative techniques that can be used to check whether a linear relationship exists between the dependent and independent variables. These include the: Simple Linear Regression Model, Multiple Linear Regression Model, Logistic Linear Regression Model, Ordinary Least Squares Model, Generalized Linear Model, and Generalized Linear Mixed Model. In statistics, most of the above models in fact have been widely employed in quantitative studies as suitable models to analyse the causal relationships between a key variable and a number of different variables (Hoffmann, 2010).

From STATA, GLMM models are used for this study as a suitable model for nested panel data, whether spatially, temporally or both. Therefore, it can be seen that GLMM models are helpful in investigating the proportion of variance between the multilevel relationships of the corporate characteristics and CSED levels in different sub-sectors and at different times. However, it is argued that in order to get reliable and statistically significant results, some assumptions need to be taken into account (Pallant, 2007; Field, 2009).

The following assumptions of regression analysis are often used by researchers to prove that their models are valid tools in making inferences and predictions. On the basis of Field and Pallant's argument, the next section will be divided into two parts. These include: (i) verification tests of the assumptions underlying the regression model; and then, (ii) discussion of the empirical results that will emerge from GLMM tests on the relationships between CSED practices and corporate characteristics in the Jordanian context.

5.3.2.4.1 Assumptions on Regression Models

According to Field (2009) the assumptions underlying the selection process for any regression models can be divided into 7 categories. The following assumptions are clarified in the next sub-section:

- *Assumption 1: The possibility of measuring variables*
- *Assumption 2: Correlation Coefficient of independent variables*
- *Assumption 3: Checking the linearity of variables*
- *Assumption 4: Normality of residual*
- *Assumption 5: Multicollinearity*
- *Assumption 6: Heteroscedasticity*
- *Assumption 7: No high outliers*

Assumption 1: The possibility of measuring variables

With regard to this assumption, the dependent variable must be measured through the continuous scale, while the independent variables should be measured through both continuous and categorical scales (Field, 2009).

As noted in chapter 4, there are two variables; dependent and independent. The dependent variable in this study is a level of CSED practices that may depend on other factor(s); while the independent is corporate characteristics that do not depend on other factor(s). These independent variables include 7 key factors, namely: firm size, age, profitability, type of industry, type of audit firm, ownership structure and type of financial market. Table 5.10 summarises the types of variables, and the different methods used to measure them.

Table 5-10 Measure of variables

Variables	Name of Variable	Measure of Variable	Type of variables
Dep-Variable	CSED Practices	Disclosure Index	Continuous
Indep-Variables	Firm size	Total assets	Continuous
	Firm age	Establishment year	Continuous
	Profitability	ROE	Continuous
	Type of industry	ASE Classification	Categorical
	Type of audit firm	Big-4 and non-Big-4	Categorical
	Ownership structure	Local and Foreign	Categorical
	Type of financial market	1st and 2nd market	Categorical

As the table above indicates, the level of CSED practices as a dependent variable is a set of percentages of different levels of corporate practices in the annual reports over 3 years of this study. On the other hand, the independent variables are divided into 7 key aspects of the corporate characteristics.

With regard to the independent variables, a “Total assets” measurement is adopted as a continuous variable to measure firms' size. “Date of corporation’s establishment” and “ROE” are also employed as continuous variables to measure the age of the firm and its profitability. Moreover, type of industry was measured through the ASE classification for the industrial sector into 10 sub-categories. With regard to the type of audit firm, ownership structure and type of financial market, each of these variables includes 2 independent groups, as discussed below.

The existence of the “Big-4 auditors” or their “Non-existence” is considered as a standard to measure the type of audit firm. Meanwhile, the “Foreign-owned firm” or “Local-owned firm” is used to determine the type of institutional structures in Jordan. Furthermore the ASE classification of “First Market” or “Second Market” is used to measure the type of financial market.

Assumption 2: No high relationship with each other

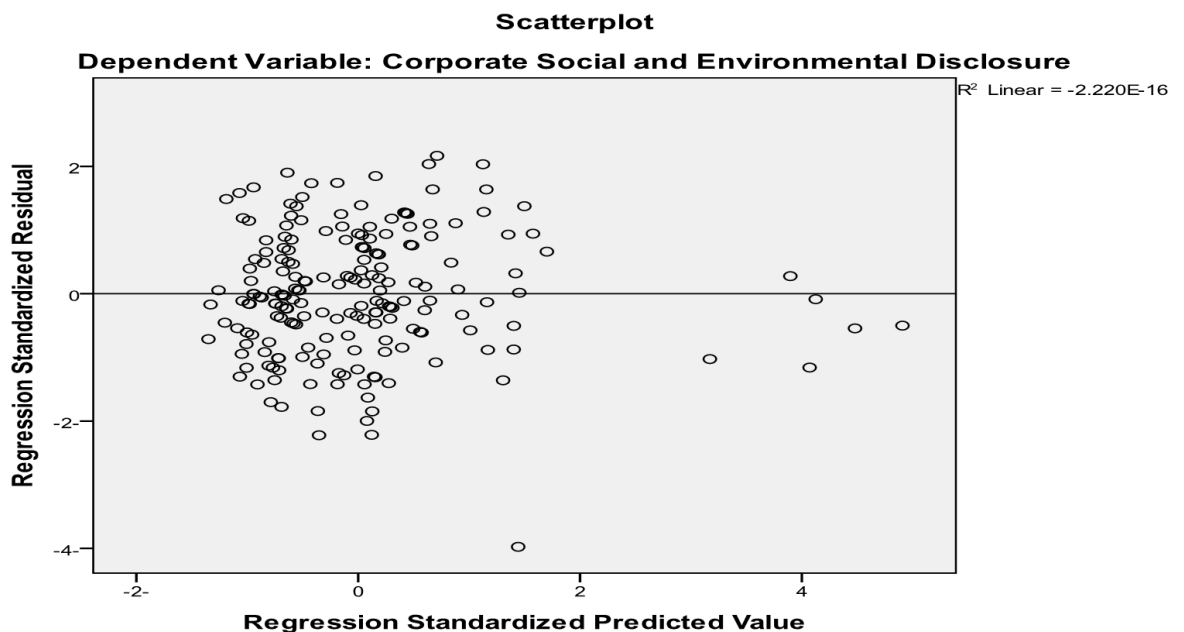
The explanatory variables are not highly related with each other. In fact, this assumption was previously checked using Spearman's correlation test in this chapter (see Section 5.3.2.1).

Assumption 3: Checking the linearity of variables

To check if there is a linear relationship between a dependent and independent variables, Field (2009) suggests that the scatter-plot matrix can be used as an appropriate graphical tool to evaluate the strength of the linear relationship between the variables under study. A scatter-plot matrix is used as a predictive tool to determine whether the linear models are appropriate for the data (or not), by judging the closeness of the observed data to the line (McLain, 2015).

In this study, Figure 5.6 shows the predicted values of the level of CSED practices in the annual reports are set close to each other. It is clear from the figure that the vast majority of observations fall within the standardised values of residual plot (-2 and +2). Consequently, this result confirms that, GLMM regression models for this study are valid tools in predicting the level of CSED practices by using the corporate characteristics.

Figure 5-6 Predicted & observed value of the level of CSED practices



Assumption 4: Normality of residuals

Once the linearity analysis showed that there is a possible relationship between level of CSED practices and corporate characteristics, the next step is to check the normality of the distribution of residuals. The test for residual normality by histogram is the most common matrix used for checking the assumption of normality of errors (Field, 2009). This assumption can be clarified in Figure 5.7.

Figure 5-7 Normality of residuals histogram

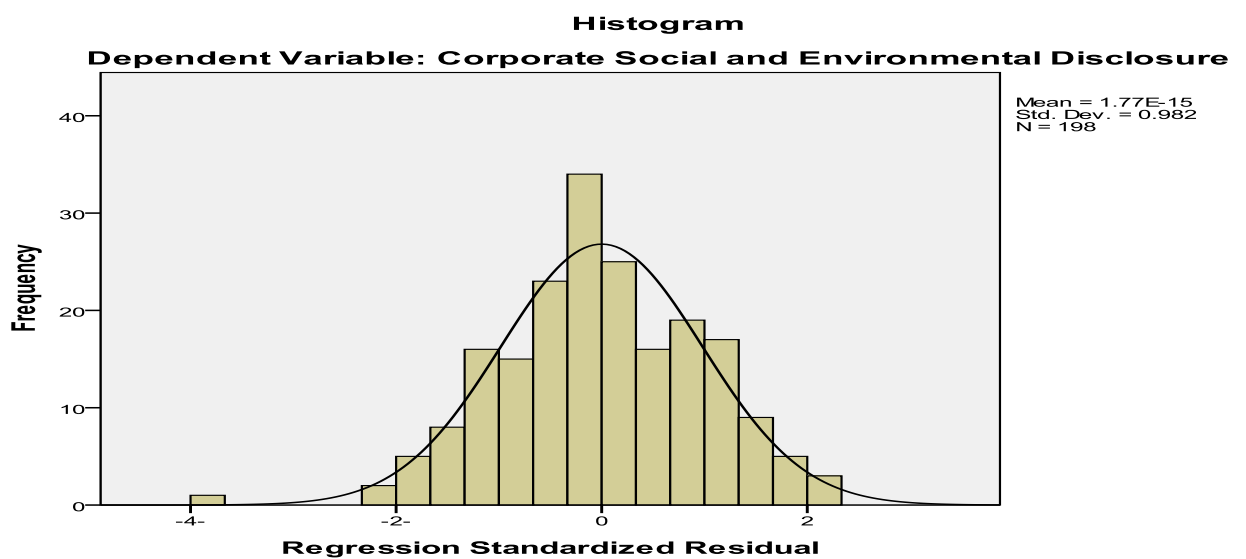


Figure 5.7 shows that the data of this study does not have any normality problem, where the residuals are normally distributed, which have spread around the (0) value. This result implies that the standard errors for study data are normally distributed. As such, we are extremely confident that there are no problems in estimating the regression coefficients. Additionally; our data set in this study are valid to be tested by GLLM regression models.

Assumption 5: Multicollinearity

The multicollinearity problem means that there is a high correlation among independent variables with each other, which may cause overlapping of

collinearity when estimating the regression model (Field, 2009; Hassan, 2010). Spearman's correlation test does not show any particular collinearity problem between the variables of this study. However, a collinearity test as mentioned earlier will be run to ensure that this problem does not exist. Table 5.11 provides the Tolerance and VIF values that can help to determine which of the variables has a collinearity problem.

Table 5-11 Tolerance and VIF values for the collinearity problem

Random-effects Model CSED practices	Collinearity Statistics	
	Tolerance	VIF
Firm Size	.550	1.817
Return on Equity	.960	1.042
Firm Age	.669	1.496
Type of Industry	.974	1.027
Ownership Structure	.546	1.830
Audit Firm	.625	1.600
Type of Financial Market	.956	1.046

Collinearity values, if Tolerance greater than >0.01 ; VIF less than <10 (Field, 2009; Pallant, 2007)

From Table 5.11, it can be seen that the Tolerance values are greater than (>0.1), and all these values are ranged between (**0.546** and **0.974**). On the other hand, the values of VIF also did not exceed (<10), where the minimum and maximum values of VIF results are ranged between (**1.830** and **1.027**). Overall, these results indicate that there are no causes for concern about the existence of multicollinearity among variables.

Assumption 6: Heteroscedasticity

Heteroscedasticity as one of the main assumptions for any regression model which can be used, basically refers to the level of variances between expected and real values for the regression model (Field, 2009). According to Hassan (2010) this assumption assumes that the random errors between expected and

real values may be constant or differ. Therefore, to examine the heteroscedasticity assumption using the statistical software; it should be ensured that all residuals are from a distribution with the same variance. This assumption can be checked using the Breusch-Pagan/Cook-Weisberg test, as shown in Figure 5.8 below.

Figure 5-8 Heteroscedasticity test

```
. estat hettest

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
    Ho: Constant variance
    Variables: fitted values of CSED

    chi2(1)      =      0.18
    Prob > chi2  =      0.6671

. hettest SIZE ROE AGE IND OWN AUD FINMARK
```

As seen in Figure 5.8, the results of the heteroscedasticity test indicate that p-value is (0.6671) greater than 0.05. Thus, it appears the heteroscedasticity (constant variance) is not an issue for the random effect model. This implies that the residuals were randomly and equally distributed through the Breusch-Pagan test, and the variance of the error terms is constant for all the values of the independent variables. Therefore, it should be noted that the relationships in the regression model of the current study reveal that there are no serious violations of the linear relationships among variables.

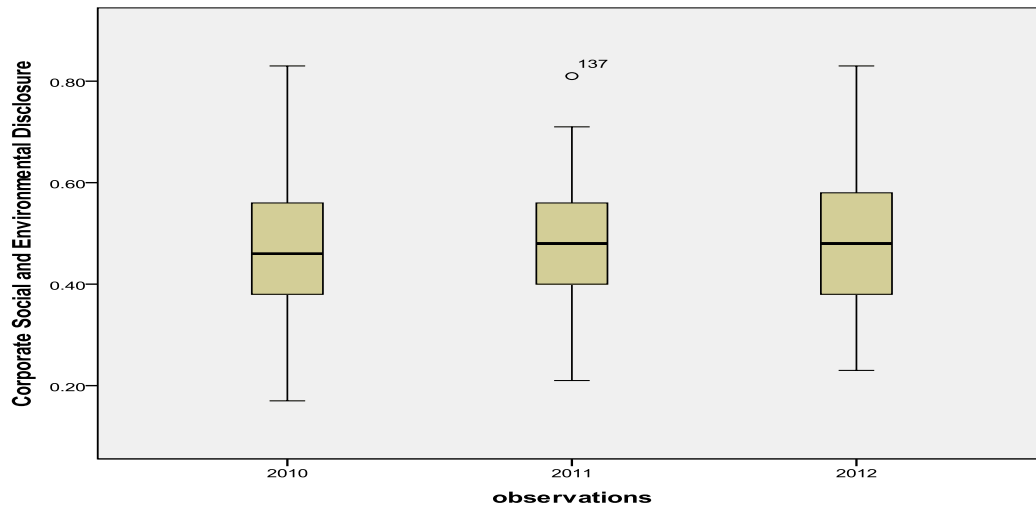
Assumption 7: No high outliers

No high outliers as a final assumption of the regression models can be checked in two ways: (i) graph the data with a box plot; (ii) look at z-scores (Field, 2009). This assumption was previously checked by using a box-plot graph, as one of the

options available in the SPSS/STATA softwares to verify the extreme values in the sample of this study.

As can be seen from Figure 5.9, there are no high outliers in the study samples that may affect the regression models.

Figure 5-9 Outliers and extreme values in the observation of the study



5.3.2.4.2 Regression results on Random-Effect model

As is clear from the previous section (5.3.2.4.1), the results on the linear regression assumptions suggested that the linear mixed models for this study are the most suitable to produce meaningful statistical results. Thus, based on the outcomes of the Hausman test that have been discussed in section 5.3; the “random-effects model” is the best regression model among GLMM models. This has been chosen to model the relationship between corporate characteristics and CSED levels in the Jordanian context.

Consistent with the discussion proffered above, the following Tables 5.12 and 5.13 provide an overview of the main results obtained from the test of the random-effects model, as highlighted below:

Table 5-12 Model summary of the relationship between CSED & firm characteristics

Random-effect model	R ² within	R ² between	R ² overall	Change Statistics	
				F-value	P-value
CSED* corporate characteristics	0.0344	0.4355	0.3392	14.72	.000

Table 5.12 suggests that the “Random-effect model” in this study is statistically significant in evaluating the causal relationship between CSED practices and corporate characteristics. More specifically, the above table shows that this model has two strong indicators, namely: (i) p-value and (ii) the **R²** values. These statistical indicators can be used to ensure that the research hypotheses have the ability to predict factors which determine the level of CSED in Jordan.

With regards to the p-value, as the first statistical indicator for adopting the “Random-effects model” results, Table 5.12 indicates that the p-value is considered to be statistically significant. This confirms that the results of the regression test are true and statistically reliable at 0.1%. In other words, this value extracted from the above model implies that the results have not come by chance at a confidence level of 99%.

The second statistical indicator that has been used to explain adoption of the random-effects model’s results is the **R²** value. Statistically, the value of **R²** is considered to be a common value that can be used to assess whether the regression model is a good fit to analyse the results or not. In this model, the value of **R²** is about **(0.34)**. This implies that the random-effects model explains approximately **34%** of the variability of the level of CSED practices in the annual reports of industrial companies operating in Jordan.

It seems that the random-effect model can be used for prediction purposes in the linear relationships. Consequently, this model will be used to analyse the determinants of corporate social and environmental reporting and their disclosure practices in Jordan, as shown in Table 5.13 below.

Table 5-13 Regression coefficients between CSED & firm characteristics

Model		Coefficients		Z-value	P-value	95% Confidence Interval B	
		B	S. Error			Lower B	Upper B
Corporate-Characteristics	Firm Size (1M-JD)	.314**	8.30	3.79	.000	1.52	4.77
	Type of Industry	.001	.005	0.15	.878	-.008	.010
	Return on Equity	.045	.052	0.87	.386	-.056	.146
	Ownership Structure	.010	.042	0.24	.810	-.072	.092
	Audit Firm	.086**	.027	3.23	.001	.034	.139
	Firm Age	-.001	.001	-0.82	.410	-.002	.001
	Financial-market	-.035*	.016	-2.13	.033	-.067	-.003

As can be seen from Table 5.13, the strongest contributions of corporate characteristics on the level of CSED practices at the < 0.01 level are from firm size and audit firm. Corporate size is significantly associated with the level of CSED practices by ($\beta = .314$, with p value < 0.000). From the previous result, it can be predicted that for each 1,000,000 JD increase in corporate size, there is a 31% increase in the level of CSED practices.

Similarly, at the level $p < 0.01$, the second strongest relationship among corporate characteristics is between type of audit firm and level of CSED practices by ($\beta = .086$ with $p < 0.01$). This result means that the companies audited by Big-4 auditors have provided more social and environmental information by 9% in their annual reports than the companies without Big-4 auditors.

Furthermore, at the level < 0.05 , the factor of financial market is also statistically significant with the level of CSED practices by ($\beta = -.035$, with $p < 0.03$). However, this result of β coefficients indicates that the nature of this relationship

is an inverse relationship, which means that companies listed in the second market have provided more information on CSER practices than the companies listed in the first market by 4%.

In spite of significant results obtained from the explanatory variables above; the random effects model also indicates that there are some insignificant relationships in the regression test. In particular, the other four variables in this model, namely: return on equity, age, type of industry, and ownership structure are not significant with CSED practices at the $p < 0.05$ levels. Indeed, all p-values of the above variables were greater than 0.05, ($\beta = 0.45$, $p=0.386$), ($\beta = -.001$, $p > 0.410$), ($\beta = .001$, $p > 0.878$) and ($\beta = .010$, $p > 0.810$) respectively. Therefore, these results mean that no statistically significant linear can be influenced on the level of CSED practices by ROE, age, industry and ownership.

Generally, the main results of the random effects model that emerged in Table 5.13 indicate that the impact of corporate characteristics on the level of CSED is partially consistent with the results of previous literature (see Section 2.2.4.1).

In line with the findings of Table 5.13 above, the next section discusses the main results of the previously developed hypotheses within chapter two. Therefore, In order to facilitate discussion of the key findings on the random effects model, Table 5.14 below shows the summary of the statistical analysis.

Table 5-14 Summary of results

Variables	All hypotheses are null	Result	Accept H0 (√) / Reject H0(X)
Firm Size	(H0)	(sig)	(X)
Industry	(H0)	(non)	(√)
ROE	(H0)	(non)	(√)
Ownership	(H0)	(non)	(√)
Audit Firm	(H0)	(sig)	(X)
Age	(H0)	(non)	(√)
FIN-MARK	(H0)	(sig)	(X)

As indicated in Table 5.14, three variables have been found to have a relationship with CSED practices. These include “firm size”, “audit firm” and “financial market”. The other four variables - “return on equity”, “firm age”, “type of industry” and “ownership structure” have not shown any statistically significant association with the level of CSED practices in the Jordanian context. Therefore, in order to provide an adequate explanation of the outcomes obtained from the random-effects model; the next section discusses the null hypotheses that have been developed regarding the causal relationship between corporate characteristics and the level of CSED practices.

5.3.2.4.3 Discussion of regression results on Random-Effect model

Hypotheses (H₀₁): There is no relationship between corporate size and level of CSED practices in the annual reports of industrial companies operating in Jordan.

According to the results of the regression model, Tables 5.14 and 5.15 suggest that corporate size has a statistically significant influence on the level of CSED practices at a 99% level of confidence. In line with this result, the null hypothesis (**H₀₁**) can be rejected as the results of this PhD study show a positive association between corporate size and the level of CSED practices in the annual reports of industrial companies operating in Jordan.

Empirical findings reveal that industrial companies operating in Jordan with a greater value of assets disclose more information on their social and environmental activities. The positive relationship between company size and its voluntary disclosures could be attributed to three reasons. Firstly, large industrial firms are usually more exposed and sensitive to external criticisms than smaller

firms, and therefore, tend to disclose more information in order to alleviate such criticisms. Secondly, large industrial firms usually tend to attract more new investment than smaller firms, thus their non-financial activities will need to be more publicly visible. Thirdly, smaller industrial firms may feel that their increasing voluntary activity level in comparison to larger firms would be detrimental to their competitive position

Indeed, this result is basically consistent with the dominant trend in previous literature, suggesting the firm size as statistically significant factor with regard to the level of social and environmental disclosure (e.g. Trotman & Bradley, 1981; Cowen et al, 1987; Hackson & Milne, 1996; Gray et al, 2001; Hanafi 2006; Ghazali, 2007; Parsa & Kouhy, 2008; Yao et al, 2011; Wang et al, 2013; Uyar et al, 2013).

The empirical studies mentioned above agreed that “Firm size” has received greater attention in the literature as a determinant of CSER disclosures, which affects the level of CSED practices. These studies mainly reveal that large companies are prepared to disclose more information on their social and environmental practices than the small. In the context of stakeholder perspective, Hanafi (2006) argues that the large companies, by virtue of their size, face more potential pressure that may stem from the multiple relationships between internal and external stakeholders, and as such they tend to provide more information on their social and environmental practices.

It can then be argued that the main reason for large companies to disclose more social and environmental information is to maintain good relationships and to avoid potential pressures among stakeholder groups (Gray et al, 1996;

McWilliams & Siegel, 2001; Smith et al, 2005). Furthermore, it is also argued that large companies have a greater level of social pressure from society and their stakeholders. Therefore, they usually have more need to manage this social pressure (Daub, 2007)

It can thus be concluded that the relationship between corporate disclosure and firm size in Jordanian context is significant linear correlation to reject (**H₀₁**) at the .05 level, and consequently, this result leads us to conclude that the alternative hypothesis (**H_{a1}**) is accepted.

Hypotheses (H₀₂): There is no relationship between type of Industry and level of CSED practices in the annual reports of industrial companies operating in Jordan.

From the perspective of stakeholder theory, the expected levels of CSED practices are basically dependant on the variation of companies' activities. In this regard, Patten (1991) argues that the variations in the levels of CSED practices can be attributed to the difference in firms' activities and the expectations and needs of their stakeholders as well. For example, Hassan (2010) argues that industrial companies receive greater attention from stakeholder groups than non-manufacturing companies. This is because industrial activities in the manufacturing sector are considered the most important to have negative effects on the environment and society than others. Therefore, logically, companies in the industrial sector are exposed to more social pressure from their stakeholders than non- industrial companies, and thus, are likely to make more voluntary disclosures. In this regard, Yao et al (2011) argue that:

"Companies with more environmental impact are subject to greater pressures with respect to social and environmental concerns than others". (p.8)

Surprisingly, the type of Jordanian industry has no significant effect on the level of CSED practices. This result disagrees with the majority of previous studies, which found positive relationships between type of industry and corporate disclosure practices (e.g. Singh & Ahuja 1983; Gamble et al, 1995; Adams 1998; Gray, 2001; Hanafi 2006; Ghazali, 2007; Parsa & Kouhy, 2008; Rizk et al, 2008; Bayoud et al, 2012; Wang et al, 2013). In fact, in most cases, previous literatures on corporate social disclosures have indicated a positive association between type of business activity and level of CSED practices.

The insignificant impact of the type of business activity on the level of CSED practices in the random-effects model can be attributed to the nature of business activities in the Jordanian industrial sector. More specifically, in a study of Jordanian industrial companies, Ismail and Ibrahim (2009) stated that, one possible explanation is that the industrial activities of Jordanian companies in the industrial sub-sectors are not of a similar nature.

In other words, it could be argued that there is no distinct classification for the industrial sub-sectors listed in the ASE, where each sub-sector includes two different types of industrial activities. These include: (mining-extraction industries; engineering-construction industries; printing-packaging industries; glass-ceramic industries; and pharmaceutical-medical industries).

Another possible explanation for the insignificant impact of the type of Jordanian industry on the level of CSED practices is that all samples of this study are considered to be fully industrial companies. In comparison with other studies, it

can be established that the majority of these studies examined the effect of this factor through various forms of business activities, whether industrial or non-industrial.

As such, it is concluded on the basis of the null hypothesis (**H0₂**) that the type of Jordanian industry in this study has no significant effect in explaining the level of CSED practices. Hence, null hypothesis (**H0₂**) cannot be rejected at 5% level of significance.

Hypotheses (H0₃): There is no relationship between corporate profitability and level of CSED practices in the annual reports of industrial companies operating in Jordan.

With regard to the impact of firms' profitability on CSED practices, the empirical evidence of the CSR literature provided mixed results on this relationship. For example, many studies show an insignificant relationship between profitability and CSED practices (e.g. Cowen et al, 1987; Belkaoui & Karpik, 1989; Deegan & Gordan 1996; Hackston & Maline, 1996; Naser et al, 2006; Ghazali, 2007; Bayoud et al, 2012; Uyar et al, 2013).

In contrast, there are also many previous studies which found a significant relationship between profitability and level of corporate social and environmental disclosure (e.g. Singh & Ahuja, 1983; Gray et al, 2001; Haniffa & Cooke, 2005; Hanafi, 2006; Hussainey et al, 2011; Samaha & Dahawy 2011). Consistent with the above studies, it is argued that firms' with higher profitability are likely to make more social and environmental disclosures. Logically, this is because the profitable corporations have the economic resources to make such disclosures (Cowen et al, 1987; Hackston & Milne, 1996; Cormier et al, 2005).

In this PhD study, corporate profitability was hypothesised to have no significant relationship with the level of CSED practices by industrial companies, and indeed the results of this PhD study indicate that corporate profitability is considered to be an insignificant factor in explaining the level of CSED practices in the Jordanian context. Thus, the null hypothesis (**H0₃**) cannot be rejected.

This result is not consistent with the stakeholders perspective, which states that, CSED can be viewed as means to enhance stakeholders' confidence in corporate management, thus to increase its profits (Carroll, 1991; Clarkson, 1995). From this perspective, CSED is considered one of the fundamental purposes of businesses in achieving a sustainable balance between shareholders' and stakeholders' interests, including their profit targets.

However, the main reason for the insignificant relationship between profitable industrial companies and CSED practices could be due to the economic consequences of the Arab Spring and its negative impact on the Jordanian economy. In this case, industrial companies with low profits may tend to reduce their level of voluntary disclosure, if they feel that poor corporate performance may damage their reputation.

Regardless of the negative result for this factor, it is argued by Skinner (1994) that companies with a low rate of profitability may tend "*to disclose more information to reduce the risk of legal liability or loss of reputation*" (Rafiqul-Islam et al, 2014, p.89). Consequently, it could be understood that high or low profitability may accompany corporate non-financial disclosure (El-sayed, 2010).

Hypotheses (H0₄): There is no relationship between ownership structure and level of CSED practices in the annual reports of industrial companies operating in Jordan.

The result concerning the impact of ownership structure on the level of CSED practices is not statistically significant enough to explain the level of CSED practices in the annual reports. This result is not similar to those in previous studies, which found a significant relationship between ownership structure and level of CSED. These include (e.g. Teoh & Thong 1984; Andrew et al, 1989; Guthrie & Parker, 1990; Patten, 1992; Gray et al, 1995; Haniffa & Cooke, 2005; Naser et al, 2006; Ghazali, 2007; Rizk et al, 2008; Yao et al, 2011; Cormier et al, 2011; Soliman et al, 2012; Wang et al, 2013).

These results provide evidence for the general argument that a greater percentage of dispersed ownership encourages management to react positively to social pressure. The majority of these studies are based on stakeholder theory as part of societal theories that provided a probable explanation for the relationship between corporate ownership structure and its disclosures. Smith et al (2005) argue that ownership structure may influence the relationship between companies and their stakeholders, and influence the level of quantity and quality of CSED. Furthermore, Haniffa and Cooke (2005) and Elijido-Ten (2007) believe that the diversity of firms' ownership may help to reduce the confidence gap among stakeholder groups by providing more extensive decisions on voluntary disclosure, which may stem from several shareholder perceptions of the importance of corporate disclosure.

Although the results of this PhD study are not consistent with stakeholder theory, this insignificant relationship can be explained through the difference of the samples' size regarding the ownership factor. The number of industrial companies with local ownership structure is 60, while the remaining 6 companies are the examples of foreign ownership operating in Jordan. Therefore, it could be argued that the sample size may be the cause of this insignificant relationship.

Consequently, the null hypothesis (**H0₄**) cannot be rejected as the ownership structure is not a major characteristic that affects the level of CSED practices in the annual reports of industrial companies operating in Jordan.

Hypotheses (H0₆): There is no relationship between type of audit firm and level of CSED practices in the annual reports of industrial companies operating in Jordan.

With respect to the audit type variable, it is documented that the audited financial statements are a part of stakeholders' needs that can be used to enhance their confidence in the company's performance (Freeman, 1984). Nowadays, the audit firm is one of the most important measures for all stakeholders in the determination of quality of audited financial reporting (Elsayed, 2010). In other words, audit type is one of the preferred ways to ensure the corporate reporting has been audited effectively and their disclosures are reliable. Therefore, the type of audit firm is an important factor in coordinating these interests between firms and stakeholder groups. As a result, it has been selected in this PhD study as one of the essential characteristics of industrial companies that determine the level of voluntary disclosures.

Prior studies related to CSED, such as, Choi (1999); Chau and Gray (2002); Xiao et al (2004); Haniffa and Cooke (2005); Hussainy et al (2011); Uyar et al (2013), documented significant positive association between CSED practices and audit firms. Accordingly, the findings of the above studies indicate that, companies that are audited by international auditors disclose more regarding their social activities than the companies audited by local auditors.

In fact, researchers in this area have provided a number of explanations as to why the relationship between corporate social disclosure and international audit firm is often significant. For example, Wallace et al (1994) argue that this is because the international audit companies have greater skills and experience. It is further argued that the main reason is that the international audit firms like Big-4 firms want to maintain and extend their own reputation in the market (Haniffa & Cooke, 2002).

In this PhD study, the random-effects model finds the relationship between type of audit firm and level of CSED practices is significant. This result implies that industrial listed companies that are audited by Big-4 companies voluntarily disclose more information in their annual reports than those which are not audited by Big4 companies. Thus, the null hypothesis (**H0₆**) can be rejected as the results of this PhD study show that the relationship between the above variables is significantly positive at 0.1% level. Furthermore, the above results are also supported by T-test, which confirm that the industrial companies audited by Big-4 have provided more information on their social practices than those audited by non-Big-4.

This result may be attributed to the ethical responsibility described by stakeholder theory towards the users of corporate reporting. This moral liability puts more pressure on the Big-4 companies to ensure that Jordanian listed companies disclose the required information whether financial or non-financial. In addition to auditing corporate reporting, Big-4 firms also guide the Jordanian companies towards a higher level of transparency and responsibility in their voluntary disclosures. Additionally, it is argued that this result can be attributed to the fact that, Big four auditors in Jordan have more independence than non-Big four auditors (Kikhia, 2015).

Overall, it could be concluded that the use of Big-4 international auditing firms in the context of a less developed country, like Jordan is found to be useful in explaining the level of corporate social and environmental disclosure in their annual reports.

Hypotheses (H0₈): There is no relationship between corporate age and level of CSED practices in the annual reports of industrial companies operating in Jordan.

With regard to the firms' age, it seems that the insignificant negative association between company age and level of CSED practices is the prevailing relationship in the suggested model. This result was consistent with the results of previous studies (e.g. Singh & Ahuja, 1983; Haniffa & Cooke, 2005; Hossain & Reaz, 2007; Parsa & Kouhy, 2008; Yao et al, 2011; Abu-Sufian, 2012; Uyar et al, 2013), who argued that, there are no relationship between level of CSED and company age. Obviously the results of this study is not consistent with those

studies that agreed the firm age may help to explain the level of CSED practices among companies (e.g. Choi, 1999; Gray et al, 1996; Bayoud et al, 2012).

In fact, the results of previous literature, from the perspective of stakeholder theory, did not provide enough evidence of the empirical association between company age and corporate social disclosure. However, the literature on CSR is in agreement that the older companies provide more information about their social activities than more recently established. This is because younger companies logically have extremely limited resources and expertise to make such voluntary disclosures when compared with older firms (Parsa & Kouhy, 2008).

Although the results of this study are not consistent with the view of Parsa and Kouhy (2008), who argued that, older firms are more likely to disclose than younger companies; the negative impact of this factor can be explained as meaning that younger companies may need to disclose more, in order to maintain their commitment to the disclosure requirements, and to avoid any legal action that may lead to delisting of the company from the ASE. It can also be argued that these young companies often use comprehensive disclosure as one of the most effective tools to increase investor confidence.

Overall, the empirical findings of this study fail to provide evidence for the influence of company age on the level of CSED practices in the Jordanian context. Consequently, the null hypothesis (**H0₈**) cannot be rejected.

Hypotheses (H0₉): There is no relationship between type of financial market and level of CSED practices in the annual reports of industrial companies operating in Jordan.

With regard to financial performance as one of the internal factors that can affect corporate disclosure, it is documented that this factor has been widely investigated in the CSED literature. These studies include (e.g. Key & Popkin 1998; McWilliams & Siegel 2000; Rowley & Berman 2000; Salama, 2003; Orlitzky et al, 2003; Graafland & Smid 2004; Barnett & Salomon, 2012; Bayoud et al, 2012). However, in these studies, similar financial indicators like: ROA, ROE, ROS and EPS have been used as analytical tools for exploring underlying relationships between companies' financial performance and their voluntary disclosures.

Unlike previous studies, which have largely used traditional financial measures for evaluating the level of corporate performance, this study uses some local indicators of the level of companies' financial performance (ASE, 2014). More specifically, the ASE classification of the industrial companies into first and second tier market was selected in this PhD study as a financial standard in explaining the level of CSED practices in the Jordanian context.

As result of testing the above null hypothesis (**H0₉**), the reported result on the effect of type of financial market on the level of CSED by industrial companies indicates that the two variables are significantly negatively associated. This implies that the association between the type of financial market and level of CSED is an inverse relation at 0.5% level of confidence. In other words, the practices of CSED are mostly associated with the industrial companies listed in

the second market rather than with companies in the first market of the ASE. This result is also confirmed by T-test on null hypothesis (**H0₁₀**), where the T-test analysis on the differences between two independent variables shows that industrial companies in the second market disclose more of their CSER activities.

The researcher attributed the above results to two possible reasons. First, one possible explanation is that the industrial companies listed in the second market of the Amman stock exchange face tougher legislation regarding disclosure in the annual reports than the first market. Second, the industrial companies listed in the second market of the ASE are generally concerned about being delisted, and usually hope to be listed on the first market. Therefore, many industrial companies listed in the ASE voluntarily disclose more information on their social and environmental activities.

On the basis of the results of testing the null hypothesis (**H0₉**), it could be concluded that there is a clear relationship between type of financial market and level of CSED practices. Thus, this can lead us to reject the above null hypothesis and accept the alternative hypothesis (**Ha₉**).

5.4 Conclusion

This chapter presents a variety of quantitative analyses that are used to investigate the patterns of social and environmental information and the factors that affect the levels of CSED practices in Jordanian companies' annual reports.

Descriptive analysis shows that there is a relatively low level of CSED practices in the annual reports, which ranged between **36%** and **32%** during 2010, 2011 and 2012. Moreover, the descriptive analysis also indicates that there are

variations in the patterns of CSED practices, where the result shows an increasing trend in the level of human resources information over the survey period, whilst energy information and other disclosure categories have the lowest patterns of CSED practices.

Statistical analysis was performed to test the hypotheses related to the impact of corporate characteristics on the level of CSED practices. For this purpose, the test of linear regression models was used to find any significant associations among dependent and independent variables. Specifically, the results in this study revealed that “Corporate size”, “Audit firm” and “Type of financial market” are the factors that can most strongly affect corporate disclosure; while, other factors are not associated with level of CSED practices, namely: “Return on equity”, “Age”, “Industry type”, and “Ownership structure”.

According to the empirical results of this chapter, it can be concluded that corporate characteristics (internal factors) can play an important role in determining the level of CSED practices in the Jordanian annual reports. Consequently, this conclusion leads the current study to investigate the potential impact of external factors on the level of corporate voluntary disclosures in Jordanian annual reports. This will be the focus of the next chapter which discusses the perceptions of interviewees on this issue.

**Chapter Six: Perceptions of Jordanian Stakeholders on
CSED Practices**

6.1 Introduction

Having discussed the nature and purpose of quantitative research in the previous chapter, this is considered a complementary chapter to achieve the requirements of the philosophical assumptions of this study, which involve combining the functionalist-interpretive paradigms as a mixed method used in many issues of social science research.

As previously discussed, the interpretive paradigm is based on a variety of techniques, which are usually used to collect and interpret qualitative data such as; observations, textual or visual analysis and interviews. Thus, interviews, as a qualitative research method, have been adopted to collect and analyze the data required. This chapter aims to analyse semi-structured interviews as an additional method to the disclosure index of non-financial practices to provide a realistic picture and to develop knowledge about the phenomenon being studied.

Chapter six covers the perceptions of Jordanian stakeholders regarding CSED practices in the Jordanian companies' annual reports, as such, the chapter is structured into three main sections. Section 6.2 focuses on the method of analysis of interviewees' responses, and additionally discusses the stakeholders' perceptions of relevant themes raised during the survey period; while Section 6.3 provides a summary of this chapter.

6.2 Analysis of interview data

The aim of the interpretive paradigm is to generate knowledge existing in human minds by understanding and interpreting relevant meanings that have been collected around the social phenomena being studied (Burrell & Morgan, 1979).

Collis and Hussey (2009) added that this paradigm “*involves an inductive*

process with a view to providing interpretive understanding of social phenomena within a particular context” (p.57). This interpretive process depends on the aggregation of the relevant meanings and thoughts from the textual data, and then “*reconstructing them into meaningful wholes*” in order to add richness to the thematic analysis (Lincoln & Guba, 1985) cited in Folkestad (2008, p.5).

It is documented by Kawulich (2004), that the process of analysing qualitative data under the interpretative philosophy of social sciences research could be undertaken from different perspectives. For that purpose, Kawulich (ibid) adds that the key step in selecting appropriate analytical methods for processing and analysing qualitative data is typically based on the theoretical foundation of the study, along with nature of the research questions.

In this study, it should be noted that both the interpretive research approach and the research questions are totally compatible with the analytic philosophy for qualitative data, which aims to create valuable and understandable information from the new data collected using interviews.

The analysis of qualitative data can be handled by using different analytical methods either with or without software programs; however, Kawulich (2004) argues that this process is considered a special task for the researcher. She added that only the researcher can immerse himself in the data to become familiar enough with it to make sense out of it. Thus, in accordance with Kawulich’s argument, this study intends to analyse the interview data without software programs; it is therefore decided to conduct the analysis manually ‘*by hand*’.

In keeping with the manual analysis, data analysis in this study will be conducted by following a number of proposed procedures as described by Hanafi (2006). These steps enable the researcher to generate insightful information to answer the research questions. Below is a summary of these steps. The first step of the analysis of the interview data is to read in-depth notes taken during each interview over and over. Recording the relevant interview information discussed during the interviews and attaching a code for each important idea are the second step. Transferring the coded information that has been collected during the recording stage of each interview into separate pages is the third step. Following the previous stage, an Excel sheet is prepared for classifying codes representing the most important themes that emerged from the interviews, and then select the most important themes from the Excel sheet to start the process of analysis of interview data. *The final stage of the analysis of the interview material is to display the data in a form that facilitates subsequent writing up of the findings*” (Hanafi, 2006, p.277).

6.2.1 Interview themes

Before starting the analysis of the interview data, it is useful, in this section, to show how the relevant data of the interview answers has been categorized into seven main themes, which are then summarized into two main themes, as below:

➤ First: General Perceptions Regarding CSED Practices:

Theme.1: Stakeholders’ perceptions regarding the methods used by the Jordanian companies for CSED practices.

Theme.2: Stakeholders’ perceptions regarding the patterns of CSED that are useful to the Jordanian stakeholder.

Theme.3: Stakeholders’ perceptions regarding the motivations behind CSED in the Jordanian companies.

➤ **Second: External Factors Affecting the Level of CSED Practices:**

Theme.4: Stakeholders' perceptions regarding the political factors influencing reporting of CSED practices.

Theme.5: Stakeholders' perceptions regarding the legal factors influencing reporting of CSED practices.

Theme.6: Stakeholders' perceptions regarding the cultural values factor influencing reporting of CSED practices.

Theme.7: Stakeholders' perceptions regarding the economic conditions influencing reporting of CSED practices.

6.2.1.1 General Perceptions Regarding CSED Practices

6.2.1.1.1 Theme.1: Stakeholders' perceptions regarding the methods used by the Jordanian companies for CSED practices

According to Mathews (1997), over the last four decades we have witnessed a great evolution in terms of the number and quality of empirical studies related to CSED issues. Measuring the level and themes of corporate disclosure, motivations and sources of disclosure were the most important issues discussed in this area.

With regard to the sources of corporate non-financial information, one of the important aspects to have been discussed in the literature of accounting, Gray et al (1995a) argue that, CSER information can be sent via multiple forms of disclosure channels. It is documented that, corporate annual reports, corporate advertising, supplements and corporate website are the preferred sources for reporting CSER activities (Yaftian et al, 2013). These possible sources can originally be used by organizations as the best ways to communicate with stakeholders the implications of their activities.

As Gray, Kouhy and Lavers (1995a) argue, this theme is seen by the vast majority of the respondents as one of the most important aspects for discussion

in Jordanian business. Specifically, these positive responses frequently raised during interviews on this theme, are reflected in two main trends: (i) the desire of stakeholders to find the preferred place for reporting corporate non-financial implications; and (ii) the possible role of this discussion in affecting stakeholder decisions. Thus, to achieve a critical discussion regarding this theme, it is necessary to organise the relevant views of interviewees in Table 6.1 below.

Table 6-1 Responses on the methods used for CSED practices

Stakeholders		Annual Report	Supplements of Reports	Advertising	Web-site	Other (Product)	Total %
1	External Stakeholder	5	0	0	1	1	7/7 100%
2	Internal Stakeholder	11	0	0	3	0	14/14 100%
Total percentage of respondents		16/21 75%	0/21 0%	0/21 0%	4/21 15%	1/21 5%	21/21 100%

Table 6.1 indicates that the vast majority of the interviewees recognised the annual report as a primary source providing an annual summary of corporate operations to stakeholder groups, including non-financial practices. For example, one of the remarkable views given by an external stakeholder was that:

“Given that the annual report is an official document for reporting on corporate practices that has been approved by (JSC and ASE) in the Jordanian context, it is still considered by stakeholder groups as the most credible way to obtain corporate social and environmental information” (EX-1-LC)

Furthermore, there is also a relevant view expressed by another of the interviewees who says:

“The prevalent standard in the Jordanian environment is that the annual reports are still the most commonly traded source used for obtaining information on corporate performance, whether financial or non-financial. In fact, the notable demand for annual reports is because it is considered as a documented source by the Jordanian government to show different patterns of multi responsibilities available to different users” (EX3AR)

One of the relevant responses related to the corporate annual report opined that:

“Although there are no compulsory regulations that call on businesses to report their practices regarding social and environmental activities, we still use our annual report as a primary way to provide any additional information that could help to improve the quality of financial statements” (IN2MA)

Based on the arguments presented above and the results from Table 6.1; it could be noted that the majority of stakeholders' views on CSED sources are consistent with several previous studies discussed in chapter two, which agreed that the annual report is the main source of corporate non-financial activities (e.g. Epstein & Freedman, 1994; Tilt, 1994; Deegan & Rankin, 1997; O'Dwyer et al, 2005; Yaftian, 2011).

Regarding the use of supplementary reports and corporate advertising, it seems that the results show a relative immaturity in the stakeholders' perceptions of use of such sources to disclose CSER information. In fact, this significant decline in the results could possibly be explained by the view below:

“Until today, given that all the contents of an annual report are subject to a specific review by corporate auditors the vast majority of Jordanian stakeholders still think that there is no other reasonable method of corporate disclosures that can be used for reporting CSED information, except for corporate annual reports” (IN5AU)

In the same way, another view provided by (IN2MA) stated that:

“Any secondary sources for corporate disclosure whether the supplementary reports or corporate brochures are only designed for adding urgent issues relating to the corporate financial information”.

From Table 6.1, it can also be observed that, a few surprising views on the sources of CSED emerged from the Jordanian stakeholders. These views

attempted to draw attention to the corporate web-site as an acceptable source for organizations to meet stakeholders' needs for CSER information.

The argument was made by one Jordanian stakeholder, who stated that:

“By using the corporate website, Jordanian stakeholders could be found more CSER information from any place at any time; it's also good opportunity for businesses to update their information at any time by using such service” (INIAU).

In addition to these sources, there was an unexpected view among the stakeholders' perceptions on the CSED sources. A product label is seen as a possible way to provide information about the CSED practices. It could be argued that, this view summarises the need of users of non-financial information to look for faster and more accessible CSED sources rather than the corporate annual report.

Overall, responses on the preferred source for reporting CSER information might be attributed to two key views. These include, (First) the prevailing view reflecting specific aspects of organizational culture of the internal stakeholders, confirms that the annual report is a more informative source rather than disclosing via secondary sources. (Second) calls are emerging view for dedicated efforts in reporting of CSED practices by using different methods of disclosure, which might be linked with the societal concerns toward further improving disclosure on such type of voluntary practices. Moreover, it might be attributed to the lack of a local disclosure system regarding CSED practices, and thus such sources are seen as generally useful by all stakeholders in Jordan.

6.2.1.1.2 Theme 2: Stakeholders' perceptions regarding the patterns of CSED that are useful for the Jordanian stakeholder

The second theme is primarily concerned with the analysis of interviewees' perceptions what is considered significant and useful information for stakeholders' needs. In fact, the theme of the stakeholders' perceptions in this thesis is developed in parallel with the emergence of a number of views that tend to classify and rank useful information in accordance with their needs.

The analysis of the patterns of CSED information is not a new theme in the literature of accounting. In particular, several prior studies in this field have investigated the nature and patterns of CSER disclosures (Epstein & Freedman, 1994; Gray et al, 1995; Hackston & Milne, 1996; Adams & Kuasirikun, 2000; Imam, 2000; Abu-Baker & Naser, 2000; Rizk et al, 2008). It is argued that the analysis of patterns of CSED information is a useful strategy to meet the stakeholders' expectations of CSER information (Everaert et al, 2009).

Thus, this section seeks also to explore any potentially useful patterns of non-financial information for stakeholders. In order to analyse their views on useful patterns of CSED information, it seems reasonable to ask the respondents to identify and rank these patterns in accordance with their perceptions.

For this purpose, all positive responses regarding the useful patterns that exist in CSER reporting practices are presented in Table 6.2 below.

Table 6-2 Responses on useful patterns of CSED

CSED patterns		Environ-ment	Energy	H.R	Fair practice	Product	Society	Other	
Stakeholder groups	Local community	1	4	1	7	3	6	5	2
		2	6	3	7	1	4	5	2
		T	5.00	2.00	7.00	2.00	5.00	5.00	2.00
	Academic researcher	1	6	3	5	2	4	7	1
		2	5	2	7	4	3	6	1
		3	4	1	6	3	5	7	2
		T	5.00	2.00	6.00	3.00	4.00	6.67	1.33
	Government	1	7	3	5	2	4	6	1
		2	7	3	6	2	5	4	1
		T	7.00	3.00	5.50	2.00	4.50	5.00	1.00
	Investors	1	5	3	6	2	4	7	1
		2	6	2	7	1	4	5	3
		3	7	3	6	2	5	4	1
		T	6.00	2.67	6.33	1.67	4.33	5.33	1.67
	Auditors	1	6	2	7	3	4	5	1
		2	5	1	6	3	7	4	2
		3	4	2	7	3	5	6	1
		4	5	1	7	4	6	3	2
		5	5	2	7	3	6	4	1
		T	5.00	1.60	6.80	3.20	5.60	4.40	1.40
	Managers	1	6	3	7	2	4	5	1
		2	5	2	6	3	7	4	1
		3	4	2	7	3	5	6	1
		4	5	1	6	2	7	4	3
5		4	1	7	3	6	5	2	
6		6	3	7	1	4	5	2	
T		5.00	2.00	6.67	2.33	5.50	4.83	1.67	
Total = $\sum T/6$		5.50	2.21	6.38	2.36	4.82	5.20	1.51	
Ranking of CSED		2	6	1	5	4	3	7	

The results shown in the above Table 6.2 provides a summary of interviewees' perceptions of useful CSED patterns. The vast majority reported that all patterns of non-financial disclosure are important. Therefore, it is suggested by the researcher that the ranking of information according to its importance might help in determining the nature of CSED patterns that match with the stakeholders' expectations. It can also help an organization to meet their needs by reporting specific information relevant to these expectations.

The overall pattern of responses to this theme suggests that stakeholders' perceptions are partly consistent with the results presented in chapter 5, which identified human resource and environmental issues as the most disclosed

patterns. In addition, they believe that energy and other information are considered low-interest patterns.

Table 6.2 shows that the responses to human resources, environmental issues and community activities, respectively, are ranked as the most useful information in CSED patterns. This view is consistent with the CSR literature. For example, several studies, such as, Andrew et al, 1989; Gray et al, 1995a; Tsang, 1998; Rizk et al, 2008, found that the patterns of human resources followed by environmental issues and community information dominated all other patterns in CSED practices.

The rationale behind such increasing attention to these patterns of CSED could possibly interpreted by one of the stakeholders' views, which reported that:

“Firms still believe that the internal and external pressures could result from specific group of stakeholders. Therefore, in order to avoid such pressures, firms should take into consideration the nature of stakeholders' needs of disclosure patterns..... [and] corporate responses to these local pressures (in the Jordanian business environment) bring two main needs; namely, internal needs (e.g. workers' rights, non-discrimination and equal opportunities); and external needs (e.g. protection of natural resources, donations, education and health activities)” (EX2AR)

From this view, human resources, environment issues and community involvements are considered as the most useful patterns for Jordanian stakeholders. In their opinion, these patterns of CSED practices could be seen as valuable information to achieve a better balance between a firm and its stakeholders. Overall, these views of Jordanian stakeholders are consistent with Freeman (1984), who stated that corporate disclosures relating to CSER activities may not be interesting to other parties of stakeholders.

With regard to stakeholders' expectations on the pattern of product quality, it seems that these views are not entirely consistent with the results found in chapter Five. Product quality indicators are disclosed as a second major pattern in the annual reports, while the respondents' views on this pattern indicate a medium interest in this type of information. This result indicates that there is a gap between stakeholders' demands and actual corporate disclosures.

Based on the above view, it should be noted that this conclusion is consistent with Deegan and Rankin (1999), who stated this imbalance is:

“...due to differing perceptions between report users and report preparers as to the relative importance of various items of social and environmental performance information to the users' decision making processes” (p.313).

Unlike the previous patterns, Table 6.2 also shows that, stakeholders' views regarding energy, fair practices and other patterns are ranked as of limited importance in CSED patterns. Although stakeholders' views on these patterns support the results in chapter five, this outcome indicates that there is still a lack of public awareness of the importance of CSED patterns by Jordanian stakeholders.

In line with stakeholder theory, it is argued that dialogue with stakeholders is the most effective way to reduce the expectations gap between the firm and its stakeholders. Hence, firms should invite stakeholders to participate in the disclosure practices, especially with regard to their CSER information needs (Gray et al, 1996; Cooper & Owen, 2007).

6.2.1.1.3 Theme.3: Stakeholders' perceptions regarding the motivations behind of CSED in the Jordanian companies

This section discusses the idea of why firms should report to Jordanian stakeholders on their non-financial practices. In particular, this theme summarises respondents' views on corporate motivations, especially industrial ones, in making a voluntary report in Jordan.

Despite the lack of real regulations regarding CSED practices, CSR literature indicates that the driving forces behind CSED practices are varied and differ from corporation to corporation. In fact, this diversity of corporate motivations towards using CSR disclosure in their reporting can reflect the different trends of corporate managers. In other words, CSED can be viewed as a multi-purpose tool which can meet certain corporate requirements. For example, Adams (2002) and O'Dwyer (2003) indicate that, CSED can be used to build and enhance a firm's reputation. It could be also used to increase corporate investment (Roberts, 1992). Moreover, it can be adapted by other companies in order to gain or defend legitimacy (Gray et al, 1995a; O'Donovan, 2002b). It is also considered by Rettab et al (2009) as the best practice to satisfy employees. While, Deegan et al (2000) found that CSED practices are seen as an efficient way to maintain positive relationships with stakeholders. They are also considered a good strategy for enhancing corporate financial performance (Blacconiere & Patten 1994; Waddock & Graves, 1997).

In light of the above, it may be understood that the analysis of CSED motivations plays a major role in understanding a firm's behaviour towards more non-financial disclosures. Therefore, in the current study, respondents' views with

regard to the corporate motivations behind CSED practices were more reliable to provide logical explanations on this theme. Below are stakeholder views on the motivations of non-financial disclosures in Jordan.

Table 6-3 Responses on the motivations for CSED practices

CSED motivations		Maximize profits	Ethical standards	Internal policies	Public pressures	Tax reduction	Religious values	
Stakeholder groups	Local community	EX1LC	√					
		EX2LC				√		
	Academic researcher	EX1AR					√	
		EX2AR	√					
		EX3AR	√					
	Government	EX1GO		√				
		EX2GO					√	
	Investors	IN1IN				√		
		IN2IN		√				
		IN3IN				√		
	Auditors	IN1AU		√				
		IN2AU			√			
		IN3AU		√				
		IN4AU		√				
		IN5AU			√			
	Managers	IN1MA		√				
		IN2MA				√		
		IN3MA		√				
		IN4MA						√
		IN5MA				√		
		IN6MA		√				
Total percentage of respondents		3/21 14%	8/21 38%	2/21 10%	5/21 24%	2/21 10%	1/21 5%	

Table 6.3 presents interviewees' responses on the corporate motivations for reporting non-financial activities. In the Jordanian context, maximizing profit, ethical standards, corporate internal policy, public pressures, tax reduction and religious values are the main reasons that drive industrial firms to make social and environmental disclosures on their activities.

In particular, ethical standards and public pressures are the most widely accepted motivations, which can easily explain such practices. In this regard, some interviewees believe that stakeholder pressure is the driving force behind such voluntary disclosures, as one of them states:

“In my opinion the corporate response to stakeholders' pressures stems from the fact that companies know what will happen if they do not meet the needs of these groups...[and] at the very least, they do not want their actions to be a source of exposure to the media, public scrutiny and governmental pressure” (IN5MA)

On the other hand, a smaller numbers of responses reveal that Jordanian companies disclose information about their activities in order to maximise their profits, apply internal policy or reduce their taxes. One of the respondents expressed a personal view of motivation:

“In my opinion the religious values are the highest level of ethical principles, which are considered comprehensive enough to cover all behaviour by firms (If applied)” (EX2AR).

It is documented that drivers for CSED practices are different from corporation to corporation (Eljayash et al 2012; Aldrugi & Abdo, 2014). However, it could be argued that the views that were emerged from Jordanian stakeholders could be attributed into two main considerations. (First) economic motivations, which include maximizing profits, internal policies, tax reduction and public pressures; (Second) ethical motivations, which include moral standards and religious values.

6.2.1.2 External Factors Affecting the Level of CSED Practices

It is documented in previous literature that:

“As a social science, accounting is affected by the environment in which it operates, but at the same time, it is one of the factors impacting on this same environment....(In particular) A country's accounting system is affected by a variety of historical (political), economic, socio-cultural, institutional, and other non-accounting factors” (Cerne, 2009, p.66)

From the above quotation, it could be understood that the external environment for companies is considered to be a contextual determinant that may have a vital

role to play in influencing the corporate activities of any country (Dong et al, 2007). Thus, in order to better assess the local determinants of CSED practices, this section will provide a detailed analysis of the Jordanian contextual factors such as the political, legal, economic and cultural environment affecting corporate voluntary disclosure.

In the Jordanian context, a series of in-depth interviews were conducted with some stakeholders to explore the effect of local factors on the practices of CSED, as the third key objective of this study. Therefore, this section is designed to analyse all the relevant responses related to the impact of the Jordanian-contextual determinants on the CSED practices. However, in order to better understand the respondents' views; interviewees were asked to determine the degree of influence of these factors by selecting 1 of 5 available alternatives, in a method similar to the Likert scale, where (1) Certainly Yes, (2) Yes, (3) Probably, (4) No, and (5) Certainly No are the choices available.

It should be noted that, in many cases in accounting literature, Likert scale is still used as an effective tool to identify and measure attitudes, knowledge, perceptions, values, and behavioral changes (Vogt, 1999). However, it will be used in this study for two reasons, namely: (i) to help respondents to express their views more clearly; and (ii) to compare the overall response of stakeholders' views with each factor. Thus, the detailed responses to these factors are contained in Table 6.4 below.

Table 6-4 Interview findings on the external factors affecting CSED practices

External factors		Political Conditions	Legal system	Cultural values	Economic Situation	
Stakeholder groups	Local community	EX1LC	Probably	Probably	Yes	Yes
		EX2LC	Yes	No	Yes	Certainly Yes
	Academic researcher	EX1AR	Probably	Yes	Certainly Yes	Yes
		EX2AR	Yes	Yes	Certainly Yes	Yes
		EX3AR	Probably	Yes	Certainly Yes	Probably
	Government	EX1GO	Yes	No	Yes	No
		EX2GO	Yes	Probably	Yes	Probably
	Investors	IN1IN	Probably	No	Yes	Probably
		IN2IN	Yes	Yes	Certainly Yes	Yes
		IN3IN	Certainly Yes	Probably	Certainly Yes	Yes
	Auditors	IN1AU	Yes	No	Yes	No
		IN2AU	No	Yes	Certainly Yes	Yes
		IN3AU	No	Probably	Certainly Yes	No
		IN4AU	Yes	Probably	Yes	Yes
		IN5AU	Yes	Yes	Certainly Yes	Yes
	Managers	IN1MA	Yes	Yes	Certainly Yes	Yes
		IN2MA	Yes	Yes	Certainly Yes	No
		IN3MA	Certainly Yes	Certainly Yes	Certainly Yes	Certainly Yes
		IN4MA	Yes	Yes	Yes	No
		IN5MA	Yes	Yes	Yes	Yes
IN6MA		Yes	Yes	Certainly Yes	Probably	
Total percentage of respondents		≈Yes	≈Yes	≈Certainly Yes	≈Yes	

Table 6.4 shows a number of negative perspectives regarding the respondents' opinions on the effect of external factors on CSER reporting; however, overall response rates were significantly positive. In particular, stakeholders' views revealed that almost all of the contextual factors have the same degrees of influence on CSED practices, although the best response rates show that cultural values are seen as the most important factor.

Overall, in order to make a meaningful comparison for the above views regarding the impact of national factors on CSED practices; each of these factors will be discussed separately in the next sections.

6.2.1.2.1 Theme 4: Stakeholders' perceptions on effect of political system on CSED practices

Chapter 2 documents that political conditions are among the most important external factors broadly used in earlier research to explain the differences in corporate disclosures (e.g., Adams & Harte, 1998; Williams, 1999; Adams, 2002; Ahmad, 2004; Oriji, 2012; Bayoud, 2013).

Based on these studies, the current section will review relevant stakeholders' views with regard to the impact of the Jordanian political system on the level of CSED practices, particularly in the industrial sector.

Historically, politics and economics are seen as the science of creating wealth and managing resources (Smith, 1983). Moreover, Deegan (2002) argues that the politics and economics of any country are closely linked, and are both considered as ways of organizing organizational behaviour and managing potential conflicts; therefore, they cannot be separated from each other. With regard to the compatibility between political and economic entities, it is argued by (EX2AR) that:

“The organizations' relationship with the political bodies is a complementary one, since the latter are responsible to the organizations through providing them with all necessary services (e.g. providing protection, ratification of transactions and facilitating international trade). In contrast, organizations are also accountable to the local authorities through providing some services that contribute to maintaining the political equilibrium of the country (e.g. providing new jobs, attract foreign investment, allocating benefits of the local community)”

The political system is an essential component in socio-economic stability for any country, and is also known as a legitimate power in formulating regulatory decisions that affect society at large (Whitley, 1999). Furthermore, a country's

political system is also defined as a set of laws and customs that regulate the internal and external affairs among individuals and groups within the social structure, especially financial ones (Ahmad, 2004).

Therefore, organizations as socio-economic actors operate within the country structure, and also play a major role in promoting economic growth; they could consequently be affected by the existing political system of that country (Elmogla, 2009). In this context, it is documented that the degree of political rights and civil liberties of any country may reflect the reality of corporate practices towards financial and non-financial disclosures in that country (Bayoud, 2013).

For example, it was found that firms with a higher level of democracy tend to disclose more information (Goodrich, 1986; De Villiers & Marques, 2012). In contrast, Williams (1999) argued that a low level of corporate disclosure is linked largely with countries that have practiced civil oppression and violations of political rights.

The findings that emerged from stakeholders' views (as in Table 6.4) indicate that political stability in a developing country like Jordan positively affects corporate practices and voluntary disclosures in particular. This is consistent with Goodrich (1986) that says political factors, like political system types and international organizational membership, are significantly linked to the accounting practices.

Similar to Goodrich, it is also argued by (IN3IN) that:

“Despite the risk of the current political transformations in Arab countries that are still playing a major role in global economies, especially emerging ones (in terms of oil and gas prices, asset prices, and corporate performance), Jordan’s political stability may have a positive impact on the financial system. This is probably due to several companies which have relocated their operations from Syria, Iraq and Lebanon to Jordan”

It is worth mentioning again that the Jordanian political system as a democratic system is a combination of the Western values inherited from its British colonisers and the modern multi-party system. This diversity of political values has provided common ground for developing a framework for the global accounting system (Kamla, 2007). Stakeholders’ responses in this regard indicated that, Jordan’s political heritage has contributed to its economic development by providing a number of accounting laws that helped to establish its financial practices (e.g. Trademark Law in 1930, the insurance law in 1959, companies law in 1965, and financial irregularities in 1944 (Haddad, 2005).

Furthermore, the current political system combines two types of governance structures, namely: the people's authority and a monarchy (Haddad, 2005). Therefore, the structural diversity of the political system may provide an opportunity for public participation in organizational decision-making. This is because it is based on the political idea which states that the people govern themselves rather than central authorities.

In light of this, it could be argued that local organizational decisions are often characterised as participatory, transparent and accountable. From this it could be deduced that the current political system will affect the behaviour of policy-makers terms of greater involvement in decision making with partners. This

argument could be summarised in the following statement made by one of the interviewees:

“Given that the current system can be considered as one of the most stable political systems in the region of Middle East and North Africa; I think that the Jordanian companies seek to keep their businesses in a stable political-social environment. Thus, corporate reporting on their activities is one of the easiest ways for implementing sustainability strategies” (EX2GO)

Obviously, the interviewees' responses on this theme indicate that the majority believed that the Jordanian political system is closely related to the level of corporate non-financial disclosure. This is consistent with Goodrich (1986), Williams (1999), Adams (2002), Bayoud (2013), who found that the political factor can be used as a contextual determinant to explain differences in CSER disclosures. It is therefore concluded that the political system is one of the main drivers of corporate practices, which can also reflect either positively or negatively the level of corporate disclosure in that country.

6.2.1.2.2 Theme 5: Stakeholders’ perceptions on the effect of the legal system on CSED practices

Another local contextual factor that has received attention in CSR literature is the legal system (see, Salter & Doupnik, 1995; Belal, 2001; Ahmad, 2004; Orij, 2012; Adelopo et al, 2013; Bayoud, 2013). In line with the studies above, this section will look at Jordanian stakeholders’ perceptions on the national legal context as one of the local contextual determinants of corporate reporting practices, as shown in Table 6.4.

The legal system term has been defined in the dictionary of the history of ideas as a published set of moral and social rules which together form a system called a constitution. These rules are usually used for regulating the institutional and

human behaviours of any country (Weiner, 1973). In other words, a country's legal system is also defined as a set of regulatory standards which should be respected by all individuals, organisations and even state officials (Department for International Development (DFID), 2014).

As Chapter 3 highlighted, there are two main types of legal systems, namely: common law or code law (Salter & Douppnik, 1992). Countries with common law are those with the have ability to resolve their disputes by using a number of judicial decisions. These countries simply rely on previous judicial decisions to interpret new cases. While, code-law countries rely heavily on comprehensive written instructions which cover all potential cases (Salter & Douppnik, 1992).

Each legal system has its own character, which generally refers to the application a set of ethical standards in order to regulate the behaviour of individuals and groups in a particular environment. However, with particular reference to institutional behaviour as part of the social behaviours practised daily; the literature of accounting has also attempted to explain the relationship between the accounting and legal systems. Douppnik and Salter (1995) reported that:

“The legal system is a part of the institutional framework with which the accounting system is likely to interact. The legal system influences the way in which accounting rules are promulgated, which in turn could influence the nature of the rules themselves” (p.195).

Therefore, this section aims to answer one of the third key questions regarding the influence of the local legal system on the applied accounting system in general and on the practices of CSED in particular.

Each country has its own sources of different legal texts; Jordan is classified as a code-law country (ROSE, 2005). Jordan's legal system has derived its present form from Islamic principles, English common law and French codes. Therefore, it can be argued that this local system is a combination of Western civil laws and Islamic legal principles (Abu-Baker, 1995).

“Legal system as a constitutional monarchy consists of a set of legal texts that were promulgated in 1952, which was also amended in 1958, 1976, 1984 and 2011. This Constitution includes 9 chapters (Ch1 the governmental structure; Ch2 the rights and duties of citizens; Ch3 the general provisions of the country; Ch4 the executive branch's composition; Ch5 the legislative branch's composition; Ch6 the judicial branch's composition; Ch7 financial issues; Ch8 defence Law; Ch9 the enforcement and repealing of laws)” (ROSE, 2014)

Al-Akra et al (2010) stated that, Jordan has adopted a set of the legal reforms of business in order to promote local economic performance. These include: (i) creating an appropriate environment for attracting appropriate investment; (ii) trade liberalisation by Jordan's membership of the WTO; (iii) property rights reform and a policy of privatisation; and (iv) expanding the base of participation between public and private sectors.

As part of the legal reform project, there are some particular local provisions that have also been adopted by the Jordanian government to regulate corporate voluntary practices. These include (the Labour Law, ASE Reporting Guidelines, Investment Promotion Law, the Environmental Protection Act, Consumer Protection Act, & Environmental Police). These give the government the right to monitor the activities of organizations. Therefore, the standards of environmental protection, employment rights, small investors' rights, imposing fines, as well as

encouraging firms to report their activities are important actions carried out by government bodies in accordance with these legal amendments.

In light of the legal changes above, some Jordanian stakeholder responses are of the opinion that these changes are fundamental to rebuilding the trust between the governmental system and corporate management. Specifically, one of these responses stated that:

“In the Jordanian context, the relationship between the legal system and corporate practices is based on mutual trust, due to the legal guarantees provided by the government for businesses to practice their activities in a safe environment. Therefore, the recent legal reforms would likely reduce the risk that might have an effect on their strategy, thus increasing the level of trust between them. From this, we think that the corporate voluntary disclosure is considered as one of the outputs of the existence of a strong and stable legal system, or mutual trust.” (IN5MA)

Another perception of this theme was that:

“The implementation of legal provisions relating to corporate practices may lead firms to pay more attention to finding a deeper level of organizational commitment. Consequently, it could be argued that corporate voluntary reporting could easily be employed as a tool for the implementation of such voluntary commitments. In addition to this voluntary implementation, it could also help in achieving their own strategic goals over time (such as: getting tax savings, or to satisfy stakeholders or enhance the company's reputation)” (EX3AR).

In addition, regardless of the corporate strategy of this kind of disclosure, another response refers to how the local legal system will likely affect the level of corporate voluntary practices:

“As a result of the recent changes in commercial laws, the current legal provisions as effective principles to support corporate activities are not inconsistent with the purposes of the voluntary disclosure provisions. Therefore, it could be argued that there is a tangible orientation by corporate management towards enhancing the level of corporate reporting within their policies, where CSED is considered one of these orientations” (IN2IN).

With this background, several researchers (Adhikari & Tondkar, 1992; Adelopo et al, 2013) argue that such legal actions might positively influence company strategy toward more voluntary practices such as CSED practices. In this context, Adelopo et al (2013) reported that *“the financial firms operating in countries with stronger levels of legal enforcement engage in more socially responsible activities, but financial firms in countries with stronger shareholder rights engage in less CSER activities”* (p.2).

From Table 6.4 it is noticeable that the Jordanian stakeholders' responses on this theme were generally satisfactory. In particular, the majority of interviewees who provided their views agreed that the domestic legal system has a positive role in promoting CSED practices. However, there are a small number of responses that emerged from stakeholders which reflect different views about the role of local legal provisions regarding voluntary practices. Specifically, one stated that:

“The Jordanian legal reforms have provided a fertile environment for the practice of disclosure. However, corporate voluntary reporting can't directly be subjected to the current commercial rules... [He added] simply because it is, still voluntary. It is therefore, difficult to talk about the real practices of CSED without stakeholders' awareness of the use of their power for getting such social and environmental information by themselves”
(EX1AU).

Although the above view expressed a negative attitude towards local legal provisions, it also refers to the conflict of interest between internal and external needs of information in Jordan. However, consistent with stakeholder theory, it can be argued that this opinion reflects the ability of stakeholders to impose their influence in balancing corporate disclosure, which could sometimes be used as a legitimate force, equal to legal provisions in terms of influencing corporate voluntary disclosure. This argument is consistent with Haniffa and Cooke (2002,

p. 327) who also suggested that “*corporations in general are unlikely to provide high-quality information if the demand function does not exist (asking for information)*”.

The majority of interviewees expressed a positive attitude toward local legal provisions as one of the local contextual factors that could be used to explore the differences in CSED practices. It can be concluded that these national legal provisions can be considered an important element in determining the level of non-financial information. This is consistent with studies by (Williams, 1999; Orij, 2012; Adelopo et al, 2013) who found that firms that operate within legal contexts tend to be more responsible than firms with unstable legal contexts. This is contrary to Ahmad (2004) and Belal (2001) who found no significant effect on the level of voluntary disclosure by the legal context of a country.

In general, it could be concluded that the stakeholders' perceptions summarised in Table 6.4 support the view of Gamble et al (1995) who claim that an understanding of CSED in a given country cannot come only from its legal system. This means that the legal system in Jordan might be able to explain some, but not all, differences in the practices of CSED among industrial companies.

6.2.1.2.3 Theme 6: Stakeholders’ perceptions on the effect of cultural values on CSED practices

According to Violet (1983), cited in Deegan (2006, p.99):

“...accounting practices have integrated certain cultural customs and elements within the constraints of cultural postulates. Thus accounting cannot be isolated and analysed as an independent component of a culture”.

The moral and cultural values of human beings are an integral part of daily social and personal practices that have a major impact on individuals' attitudes within their own organizational contexts (Archambault & Archambault, 2003). However, the term “*culture*” has been defined in different ways in the literature of accounting. For example, Mathews and Perera (1996) argue that culture, as one of the local contextual factors, can be taken to refer to some national features that may have a probable influence on the accounting system of a country and especially corporate practices. In this context, Askary (2006, p.102) argues that:

“Culture in different societies can strongly impact national accounting systems; it is therefore the causal factor of different national accounting practices in accord with differing national cultures”

Hofstede (1980) also defined a country's culture as a combination of the local societal values and customs that plays a significant role in determining an individual's behaviour, in addition to its role in supporting socio-economic systems. These cultural characteristics generally include the country's official language and customs (Ahmad, 2004); religion (Hamid et al, 1993) and education level (Archambault & Archambault, 2003).

The country's culture deserves to be one of the practical concerns that can help to give a better understanding of how corporate practices affect individuals' behaviour within their societies (Belal, 2001). However, literature on corporate disclosure reveals that, analysis of the relationship between national characteristics and corporate voluntary practices has received little attention in CSER studies compared with the literature on corporate financial reporting (see, Gray, 1988; Haniffa & Cooke, 2002).

As stated in chapter 3, national cultural values are reported as one of the external factors that determine the practices of corporate social and environmental disclosures. Adims (2002) asserts that “*there is a relationship between the cultural value context and corporate reporting*” (p.227), which can help to explain differences in the corporate voluntary disclosures. Furthermore, Ristea et al (2006) argued that, culture is a key element in developing many aspects of society, which basically depends on understanding the nature of the individuals' behaviour in interaction with the surrounding social systems. In line with this argument, this section highlights a number of major cultural values in the Jordanian context by analysing the perceptions of stakeholders regarding the effect of such values on CSED practices.

The culture of Jordan is a combination of Arab-Islamic principles (Sharia Law) established across many centuries and modern Western cultures, developed over recent decades during the Jordanian colonial period, and now reflected in the many aspects of the cultural life of society (Al-Akra et al 2009). In this regard, it could be understood that Jordan's community has benefited from their coexistence with the above cultures in creating two types of cultural models; **(i)** the traditional Islamic tribal model, which is based on village and rural life (strongly influenced by tribal ideals); and **(ii)** modern Western culture, which is considered more urbanised from the tribal culture model (Khamis, 1998).

All of the interviewees' responses indicated that this contextual factor is one of the characteristics of local society and has a direct influence in determining and explaining the differences in the level of CSER disclosure. As can be seen in Table 6.4, stakeholders' views on the relationship between cultural values and

the level of CSED practices were totally consistent with “Certainly Yes” and “Yes” were the sole interview answers to this question.

Stakeholders’ perspectives on the relationship between cultural dimensions and CSED practices clearly provided a number of unique explanations during the survey period, whether in terms of (values and beliefs, language and level of education in Jordan). For example, in relation to CSR in religious values, an interesting personal opinion was offered by one Jordanian stakeholder, who specifically (IN4MA) says that:

“The Islamic religion as one of the local societal values that stem from the divine constitution (Holy Quran), has a significant influence on the self-ethical awareness of individuals to engage in voluntary practices, whether in personal dealings in everyday life or in financial practices between people, which made such practices a holy commitment of everyone in this society”

Equally, it has been argued by Aribi (2009) that several of the shar’ia laws from the Quran and Hadith call on the people to build a balanced socio-economic order based on mutual knowledge. Some of these ethical values from the Islamic point of view on voluntary reporting practices are presented below:

In Chapter Al-Baqarah, the Noble Quran mentions that:

“Indeed, those who conceal what we sent down of knowledge and guidance after we made it clear for the people in the Scripture - those are cursed by Allah and cursed by those who curse” (Verse no. 159).

Moreover, the Messenger of God (Allah) said that:

“Whoever is asked about some knowledge that he knows, and then he conceals it, he will be bridled with bridle of fire”. (Chapter: What Has Been Related about Concealing Knowledge, Jami` at-tirmidhi 2649, Book 41, Hadith no.5)

And he also reported that:

“The most beloved of people to Allah are those who are most beneficial to the people, and the most beloved of deeds according to Allah is that you bring happiness for many people, or relieve someone of distress, or pay off his debt or stave away hunger from him” (Mu’jam Al-Awsat, Hadith no.6192)

With regard to the official language in Jordan; Arabic has also played a significant role in establishing and shaping the local culture. The vast majority of the Jordanian people use Arabic in all aspects of life. However, English is also practiced among the upper classes as a language spoken internationally in many countries (Mardini, 2012). In this regard Khamis (1998) argues that:

“Arabic became the most fundamental and stable element of the Jordanian culture, a matrix which has shaped people’s particular ways of feeling, thinking and acting” (p.69)

Contrary to Beard and Al-Rai¹³ (1999) in chapter three of this study, it could be argued that there is a clear agreement among responses from Jordanian stakeholders about the importance of the Arabic language in forming the personality of the Jordanian society. It seems that these positive responses (as summarised in Table 6.4) reflect a genuine desire to use a formal Arabic in corporate reporting, as it is universally understood among Jordanian native speakers.

The level of education has also been documented in previous literature as one of the national cultural values that influences corporate reporting practices. According to Douppnik and Salter (1995) there is a positive relationship between the level of education and corporate disclosures, where corporate disclosure typically increases with level of education, where the latter typically increases

¹³ Beard & Al-Rai (1999), found that there is a stronger link between the cultural dimension and individualism in collectivist societies than in the Jordanian context

with the former. This is supported by the stakeholders' perceptions of the importance of the role of educational level in improving various aspects of corporate voluntary practices, which is basically perceived as one of national factors that may help to explain the differences of CSED practices.

It is true that a number of traditional customs were deeply embedded in the minds of many people in Jordanian society, particularly claims that mutual benefit should be limited to the families and tribes. However, nowadays, such negative thoughts are gradually decreasing in conjunction with the growing phenomenon of cultural awareness. Therefore, based on views that emerged from different stakeholder groups, it could be argued that, such positive views leads us to conclude that increase the level of cultural awareness among Jordanian stakeholders will affect a company's ability to develop its non-financial disclosure in the Jordanian business environment in the near future.

6.2.1.2.4 Theme 7: Stakeholders' perceptions on the effect of the economic situation on CSED practices

It is argued in the vast majority of empirical CSER studies that a clear and significant relationship exists between corporate profits and it's non-financial performance (see Davis, 1960; Friedman, 1970; Abbott & Menson, 1979; Ullmann, 1985; Freedman & Jaggi, 1988; Belkaoui & Karpik, 1989; Hacston & Milne, 1996; Cormier & Magnan, 1996; McGuire et al, 1998; Rowley & Berman 2000; McWilliams et al, 2006; Saleh et al, 2011). Specifically, these studies reported that profitable corporations usually have more financial resources to undertake such non-financial activities.

Under this relationship, Saleh et al (2011) argue that, over the last three decades, the empirical literature on CSER has provided large numbers of studies on the possible relations between corporate financial performance and the practices of CSER. For example, by using the method of Meta-analysis, Margolis and Walsh (2003) investigated this in 122 relevant studies over 30 years (1971-2001). Researchers through this empirical investigation identified a gap in the descriptive and normative theories regarding the impact of companies on society; however, public pressure and social awareness of corporate non-financial responsibilities still continue to mount. Similarly, Orlitzky et al (2003) carried out a systematic review of 52 studies of such relationships, which revealed that the majority found that financial performance had a positive impact on CSER practices.

CSER practices and financial performance are, therefore, closely related to each other. However, it can be argued that the vast majority of these previous studies focused on analysing the relationship between CSER practices and the level of financial performance within the organizational bodies. In other words, there are few empirical studies that have examined this kind of relationship within the national context (see, Williams, 1999; Ahmad, 2004; Hassan, 2010; Orij 2012; Bayoud, 2013).

Therefore, as a new empirical contribution to the existing studies of this theme which have previously received little attention, this section seeks to analyse the perceptions of stakeholders of the effect of the level of economic development in Jordan on corporate social and environmental disclosures. In order to critically

analyse the stakeholders' views on this theme, a review and summary of the most important local economic developments reported in chapter three is suggested.

When compared with other developing countries, it has been argued that Jordan was and still continues to engage in the development of its local economic policies. In the early years of its existence, particularly since 1927, the government of Jordan developed the first company's law, replaced by the Companies Act No.33 of 1964 (Suwaidan, 1997). Furthermore, it should be noted that a number of British laws which were applied in Jordan have been modified, such as the Trademark Law in 1930, the insurance companies Act (24) in 1959, the law of control of companies No (5) in 1965, the insurance companies Act (76) in 1956 and law irregularities of Jordan (36) in 1944; and the Amman Financial Market (AFM) was established in 1976 (see, Suwaidan, 1997; Haddad, 2005).

In addition to these measures, Jordan has recently adopted a set of economic development programmes to improve its economic level in the local business environment (Al-Htaybat, 2005). For example, the establishment of the Securities Depository Centre (SDC) in 1999; the development of Investment Promotion Law in 1995; integration with international financial operations by joining the WTO in 2000; and developing the privatization Law in 2000 (Al-Akra et al, 2010).

From emerging markets, Jordan's economic development is now seen as one of the most competitive economies in comparison to other developing countries (ASE, 2014). This level of economic development was clearly supported by the

views of multiple Jordanian stakeholders in this survey, who agreed that the country's level of economic growth is an important contextual factor in explaining the differences of accounting practices in Jordan (see Table 6.4). In this context, one interviewee expressed his optimism regarding the ability of the local economic development programmes to improve the fortune of its economy in this unstable region, specifically this view indicates that:

“Actually, we believe that the economic plans adopted by the government are able to achieve optimum utilization of public resources. But, on the other hand, we can say that these economic plans are in fact conditioned by deepening the concept of fair practice within the accounting system, and enhancing the role of a company's responsibility for its performance. So we can say that the relationship between the country's economic development and the accounting practices is an integrated relationship”
(IN3AU)

Based on the above view, it has been argued by Carroll and Einwiller (2014) that the voluntary practices of CSED are morally considered as part of the company's responsibility towards its stakeholders. It could thus be noted that the level of economic development is an important factor in explaining the variance in the level of CSED practices among countries (Williams, 1999). In the clearest explanation for such a relationship, Ahmad (2004) argued that:

“Logically, there should be a positive impact on the level of CSED practices in a given country as the level of economic development increases” (p.80)

Consistent with this, Table 6.4 shows that no differences exist in the perceptions of Jordanian stakeholders regarding the effect of local economic development on the practices of CSED. Indeed, the vast majority of responses indicate that local economic development is one of the main drivers for supporting organizations to

become more involved in the voluntary practices of social and environmental disclosures.

The findings of this current study are broadly similar to the results found in previous studies. In fact, the vast majority of empirical studies that examined the influence of the level of development on the practices of CSED found that economic conditions are useful in explaining the level of CSR disclosures (see, Ahmad 2004; Xiao et al 2005; Hassan, 2010; Bayoud, 2013). The only exception was Williams (1999), who found that the level of economic development in the Asia-Pacific region was not a significant factor in explaining CSER practice within that region.

Overall, it has been argued that economic development is one of the main drivers of institutional capacity in order to achieve socio-economic sustainability (Husted, 2005). Therefore, under stakeholder theory; it could be concluded that such sustainability cannot be done without enabling firms to respond to the demands of its stakeholders (Jenkins & Yakoleva, 2006).

6.3 Conclusion

The perceptions of different stakeholder groups on CSED practices in Jordan and the effect of the local contextual factors on such practices were discussed throughout this chapter. By using semi-structured interviews; information about seven main themes was collected from multiple groups of Jordanian stakeholders, both internal and external.

Based on the interpretive paradigm that has been adopted to generate knowledge existing in the interviewees' minds, this chapter involved an inductive process

explaining how to understand and analyse qualitative data from the relevant perspective. Therefore, in order to add valuable and understandable information to the thematic analysis, open-discussion analysis was preferred.

The overall findings for such analysis indicated that the vast majority of the interviewees have considered the corporate annual report as a primary source to provide corporate non-financial information. With regard to the useful patterns of CSED to the stakeholder groups, the results have indicated that H.R, environment issues and community involvements were considered as the most useful patterns of stakeholders needs. Furthermore, under the general third theme, the view of stakeholders was that ethical standards and public pressures were the most widely accepted main drivers of CSED practices.

With regard to the stakeholders' views on the effect of local contextual factors on CSED practices; the total responses indicated that the political conditions, legal system, cultural values and economic development are significant factors in explaining the level of CSER disclosure in the context of Jordan. It can be concluded from this chapter that Jordanian stakeholders regard local contextual factors as important fundamental determinants of CSER disclosures.

**Chapter Seven: Conclusions, Limitations and Future
Research**

7.1 Introduction

The core objective of this PhD thesis is to provide a detailed description of the level of CSED practices by Jordanian industrial companies. In addition to this, it intends to present an empirical analysis of the key determinants of such practices in a Jordanian context. Accordingly, this study has presented a descriptive analysis of the level and patterns of CSED practices in Jordan. Additionally, it has also presented empirical investigations of both internal and external factors influencing corporate voluntary disclosure, which are addressed in Chapters 5 and 6.

Following rigorous analyses of relevant empirical data, interesting results regarding disclosure of CSER were obtained and interpreted in the preceding chapters of this study. Therefore, based on results obtained in this study this concluding chapter focuses primarily on presenting a brief outline of the study's major findings.

Furthermore, it also describes in detail all issues and problems experienced throughout this PhD project, as highlighting problems encountered may facilitate future attempts to solve them by other researchers. The chapter also outlines the major contributions of this study, and so it is structured as follows: Section 7.2 provides an overview of the research findings, while Section 7.3 covers the contribution of the study to human knowledge. In Section 7.4 the limitations of this research are discussed, and recommendations for future studies are highlighted in Section 7.5. Finally, Section 7.6 provides a summary of this final chapter.

7.2 Research Findings Relating to the Research Objectives

As mentioned in the preceding section, this PhD project was conducted in order to achieve the main objectives related to the disclosure of CSER practices in Jordan over the period of 2010, 2011 and 2012. Consequently, the main purpose of this section is to summarise and simplify the key research findings documented in the preceding chapters within the relevant objectives. In order to facilitate understanding of the main idea behind this empirical research, a summary of key findings within their relevant research objectives will be presented.

Objective 1: To explore the level of CSED practices in the annual reports of industrial companies operating in Jordan

Results documented in chapter five in order to meet objective one which is reflected by the heading of this section, relates to evaluation of CSED levels that practiced in the Jordanian industrial corporations. Consistent with this objective, the levels of CSED practices were measured over a three-year period (2010, 2011 & 2012) using the disclosure index. Through reviewing the studies of (Ernst & Ernst 1987; Gray et al, 1995; Hossain et al, 2006; Rizk et al, 2008; AbdurRouf, 2011; Abu-Sufian & Zahan 2013); the disclosure index method was developed in this study in order to collect and analyses quantitative data from the annual reports (see Table 4.3).

Accordingly, descriptive analysis was selected as an appropriate analytical approach; however, in order to obtain reliable and comparable results the above objective was divided into three sub-objectives, namely: (i) level of CSED by

sub-sectors; (ii) level of CSED by disclosure themes; and (iii) level of CSED over the study period.

With regard to the first sub-objective, the relevant results of this study show that in the Jordanian industrial sub-sectors the practices of CSED was not equal for the period under review. In particular the results indicate that the sub-sectors of mining-extraction industries, food-beverages industries, chemical industries and engineering industries account for 27%, 14%, 13% and 12% respectively. In contrast, the practices of CSED were less than 10% in the remaining six sub-sectors (see Figure 5.1). These include medical industries (8%), clothing industries (8%), electrical industry (7%), paper-cardboard industries (6%), tobacco-cigarettes industries (4%), and glass-ceramic industries (2%).

With regard to the level of disclosure themes, the results show that the “human resource” and “product theme” reported the highest percentages of 30% and 21% respectively. In contrast, the information on “energy” and “other information” were the lowest percentage of 5% and 2% (see Figure 5.2). This is partly consistent with the findings reported by Hackston and Milne (1996); Gray et al (1995b); Guthrie and Parker (1990) and Ng (1985).

With regard to the level of CSED during the study period, the results indicate that levels of CSED practices are low over the period of 2010 to 2012. Specifically, there were no major differences in the levels of CSED practices over the period of these three years. Levels of 35.9%, 31.6% and 32.4% respectively were recorded (see Figure 5.3). Consistent with other studies, such as those conducted by Chek et al (2013), Eljayash et al (2012), Uwuigbe et al

(2011), Hossain et al (2006), Rizk et al (2008) and Belal (2001), the overall findings indicate that CSED practices have not yet been developed in Jordan.

Consistent with stakeholder theory, the empirical results of this study provide us with several expected results into the levels of CSED practices in Jordanian context. Indeed, the above results confirm the earlier argument of this study that CSED practices by companies listed in less developed countries in general and in the Arab region in particular are very scanty and unpopular. As such, it can be concluded that such voluntary practices are a reflection of the practical reality in the Jordanian business environment, which is not under any legal obligation to disclose CSER activities. Overall, these findings imply that ignorance and lack of awareness of corporate social and environmental responsibility still prevail in the activities of industrial companies in Jordan. This finding is consistent with prevailing literature on CSER practices in developing countries, which has documented that there is a long way to go in this field. Following the above discussion the study claims that objective one has been met.

Objective 2: To investigate the internal factors (corporate characteristics) that affects the level of CSED practices

In order to meet the second objective of the study as reflected in the heading of this section, seven hypotheses directly related to the impact of corporate characteristics on the levels of CSED practices were developed. In line with these hypotheses, disclosure index was used to collect and analyses relevant quantitative data from the annual reports. A random-effects model was then tested as the most appropriate regression model to analyse the causal relationships between the independent variables and the dependent variable.

Based on recorded values from the Random-effect model (P value<.000 and R² value 0.34), statistical results reported in chapter five revealed that the regression model used in this study is reliable. This implies that the model can be used to produce meaningful results in explaining the determinants of CSED practices in Jordan.

With regard to the determinants of CSED practices, it appears that the statistical results from the random-effects model show that “*corporate size*” and “*auditing type*” are significantly associated with the level of CSED practices at 0.99 confidence level (p< 0.00 and p<0.01) respectively. This implies that the above indicated factors have a positive effect on the level of CSED in the annual reports. On the other hand, the results show that “*type of financial market*” is also statistically significant with the level of CSED practices at 0.95 confidence level (p< 0.03), but with a negative relationship. This means that the practices of CSED are associated with the Jordanian companies listed in the second market more than companies in the first market in ASE (see Table 5.8). These results are consistent with the dominant trend in previous literature, such as those conducted by Choi (1999); Uwuigbe et al (2011); Uyar et al (2013); and Khasharmeh and Desoky (2013), suggesting that firm size and audit firm are statistically important factors in explaining the level of CSED.

In spite of these significant results obtained from the explanatory variables above, the random-effects model also indicated that there are insignificant relationships in the regression test. In particular, it is found that “*return on equity*”, “*corporate age*”, “*type of industry*”, and “*ownership structures*” are not significantly associated with CSED practices. Indeed, all p-values of the above

variables are greater than 0.05, [(p=0.386), (p> 0.410), (p> 0.878) and (p> 0.810) respectively]. This means that no statistically significant linear can be influenced on the level of CSED practices by ROE, age, industry and ownership in Jordan. These results are not consistent with the findings presented by Choi (1999); Gray et al (2001); Hanafi (2006); Rizk et al (2008); Hassan (2010); Bayoud et al (2012); and Wang et al (2013).

Overall, although the insignificant relationships are mostly in the expected direction, except for “corporate size”, “auditing type” and “type of financial market” where a significant relationship is documented. However, the relevant experimental results documented in chapter five reinforce the study's general argument that stakeholder power and corporate characteristics play an important role in determining the level of CSER disclosures in the annual reports, and consequently in determining how companies deal with any potential conflicts of interest.

Objective 3: To explore stakeholders' perceptions of external factors affecting the level of CSED practices

In order to provide empirical evidence that would facilitate meeting the above mentioned objective, Semi-structured interviews were conducted as a qualitative research method to collect data from different stakeholders. According to the nature of the interview questions that sought to extract this qualitative data from participants about the practices of CSER disclosure in Jordan, and consistent with earlier works, such as those conducted by Hanafi (2006); Naeem (2008); Aribi (2009); and Adams (2011), an open-discussion approach was used.

Results obtained by analysis of the interview data reveal that the overall views of the respondents concerning the effect of the national factors on CSED practices were completely positive. In particular, stakeholders' views revealed that the contextual factors of the political system, legal system, cultural values and development of economic have almost the same degree of influence on corporate disclosure practices. This finding suggests that all national factors above can be considered as important in determining the level of CSED in Jordan, consistent with Williams (1999); Adams (2002); and Bayoud (2013), who found that the local contextual factors can be used as a contextual determinant for explaining the differences in CSER disclosures.

Objective 4: To evaluate stakeholders' perceptions of (i) the methods used for CSED; (ii) the patterns of CSED that are useful for the Jordanian stakeholder; and (iii) the motivations behind CSED in Jordanian context.

Similar to the previous analytical method; the open-discussion approach was also used for objective four of the study; as reflected in the heading of this section. Results documented in chapter six indicated that the vast majority of the interviewees' supported the view that the annual corporate report was the primary source of CSED practices in a Jordanian context. However, some of the responses suggested that the corporate website was also an appropriate source for CSED information, while the results indicate that supplements to the annual report and corporate advertisements are not as important as the annual reports themselves.

The above finding is particularly consistent with the conclusions reported by Epstein and Freedman (1994); Tilt (1994); Deegan and Rankin (1997); O'Dwyer et al (2005); and Yaftian (2011). In line with stakeholder theory, the finding confirms that the corporate annual report in the context of Jordan is still considered the most accurate source for information about corporate non-financial activities.

With regard to useful patterns of CSED for Jordanian stakeholders, the vast majority of interviewees argued that all patterns of non-financial disclosure are important. It can therefore be concluded that ranking information according to its importance might help in determining the nature of CSED patterns that match the stakeholders' expectations. In line with the stakeholders' own classifications, the patterns of H.R, environment, society, product, fair practice and energy were, respectively, the most useful for Jordanian stakeholders. This finding is partly consistent with those reported in previous studies by Andrew et al (1989); Tsang (1998); and Rizk et al (2008).

Furthermore, stakeholders' responses on the motivations behind CSED practices show that ethical standards were the most important, followed by public pressures, maximizing profit, corporate internal policy, tax reduction and religious values. This is consistent with results documented by Adler and Milne (1997); Wilmshurst and Frost (2000); Joyner and Payne (2002); Jenkins & Yakovleva (2006); Islam and Deegan, (2008); and Aldrugi and Abdo (2014). Indeed, this finding suggests that moral principles and external political pressures are what motivate companies to make social and environmental disclosures, especially in developing countries.

Objective 5: To provide summaries of policy recommendations on how to handle such voluntary practices in the context of Jordan

In order to meet objective five, this study offers a number of specific recommendations on how to handle such voluntary practices in Jordan, which also can be applied in other less developed countries. The views of external stakeholders, notably representative of local communities, academicians and government, are that Jordanian companies are not disclosing enough on CSED issues. Amongst the internal stakeholders interviewed, mainly corporate managers and auditors, there was agreement that CSED is low in Jordan. Similarly, empirical evidence obtained by this study indicated a low level of CSED by the Jordanian companies studied. As such, it should be noted that the recommendations made below are based on two main stakeholder responsibilities, namely: (i) internal responsibilities and (ii) external responsibilities.

Firstly, this study recommends that external stakeholders should engage corporate organisations on their social and environmental concerns. This is because they are the most immediately affected by negative social and environmental corporate impacts. Engaging the corporate organization may induce the organisations to improve their social and environmental performance which they could be reporting. In addition to this, the Jordanian government is also responsible for providing a clearer vision of the role of CSED reporting in enhancing the local economic environment and attracting foreign investment. It is also responsible for reducing the harm that is caused by corporate activities.

This can be implemented through the imposition of significant fines for non-compliance with laws and regulations concerning environmental protection.

Secondly, corporate internal stakeholders, as an essential part of the sustainability strategy, may play an important role in enhancing CSED practices in Jordan. It is therefore recommended that corporate managers should be more interested in understanding stakeholders' needs and expectations, in order to legitimise the corporate existence to them. This can simply be implemented by analysing further feedback obtained through the activation of social dialogue between them. In addition, the auditor's responsibility is to produce integrated reports which cover all information on an organisation's financial and non-financial responsibility activities. In this way, such local recommendations can help improve the level of corporate social and environmental practices, which leads to creation of an enabling environment for investors and then an increase in the level of economic activity in the country.

7.3 Contribution of the Study to Knowledge

Once the research results are analysed and interpreted, adding new knowledge to the existing literature is usually required for any academic work. Therefore, based on the research findings obtained from the analysis of level of social and environmental disclosure and its determinants in Jordan, this PhD thesis contributes to the literature of CSR in two aspects:

7.3.1 Theoretical Contributions

Consistent with other academic contributions to bridging the gap in CSR literature between developing and developed countries, this research can also be considered to be a modest contribution to the research conducted in one of the

emerging markets. In particular, this research attempts to fill this knowledge gap by providing a comprehensive theoretical framework to analyse and explain the levels of disclosure of social and environmental information by Jordanian companies.

Very few CSED studies have been conducted in Arab Region in general and in Jordanian context in particular. To the best of the researcher's knowledge, these studies have not utilised a stakeholder perspective in explaining corporations' behaviour toward the disclosure of non-financial information. Therefore it may be concluded with some degree of confidence that this study could be considered the first of its kind, in terms of the first application of stakeholder theory in interpreting such voluntary practices in the context of Jordan.

In addition, most of the studies conducted in the context of less developed countries, have focused on one component of corporate non-financial responsibilities, in the form of CSR reporting, while ignoring the other component (CER reporting). Consequently, the major theoretical contribution to knowledge of this research lies in analysing the levels of both social and environmental responsibility in the context of a less developed country like Jordan.

7.3.2 Practical Contributions

With regard to the second main contribution, it can be argued that this thesis has contributed to practical knowledge of CSED practices in three ways:

The first practical contribution is related to the mixed approach that has been adopted in this study in collecting and explaining two different types of required

data. As such, this study is concerned with the common area between functionalist-interpretive paradigms. Therefore, the disclosure index was used as a main method of collecting quantitative data, which was analysed using the random-effects model. In addition, semi-structured interviews were also conducted in order to collect qualitative data from stakeholders' views. In order to create valuable and understandable information from the new data that emerged, open discussion was the preferred method.

Furthermore, our second practical contribution is by reviewing the basic factors influencing the CSED practices in literature. In fact, it could be argued that there is no evidence in prior studies regarding the impact of both internal and external factors together on CSED practices. The majority of these studies, whether conducted in developed or developing countries, have focused on analysing one side only, with a great deal of attention paid to the internal factors that influence CSED practices. Therefore, to the best of the researcher's knowledge, this current study is considered the first empirical work concerned with analysing the impact of both internal and external factors on the practices of CSED.

Finally, this PhD research has contributed to the development of a new disclosure index for collecting and evaluating social and environmental information in corporate reporting by using several CSR studies (see Table 4.3). This disclosure index consists of 7 comprehensive categories of CSED information, namely environmental; energy; fair practices; human resources; product; community involvement; and any additional information that may be contained in corporate reports.

7.4 The Significance of the Research Results

Although the results of this study show that in general, the level CSED is very low and unsatisfactory when compared with level of such disclosures in developed countries. However, this study is of the view that CSR disclosure is an increasingly important issue for businesses and their stakeholders, and one which still needs to be investigated further in order to increase our understanding of different stakeholder perspectives on such practices in the developing countries in general, and Jordan in particular.

The discussion in Chapter 3 has clearly shown significant work has been done in identifying the level of CSED practices in the context of Jordan. However, the results of these studies have generally not provided clear evidence regarding the motivations and factors behind CSED practices, and exploring the perceptions of stakeholders on such practices in Jordan. As such, this PhD thesis is the first study of its kind that focuses on different aspects of CSED practices.

In fact, the results of the current study have enriched accounting literature in general and CSR literature in particular by providing a clear picture of the current level of CSED practices in the context of Jordan. This study has also made a contribution to accounting research by examining the effect of both corporate characteristics and local contextual factors on such practices, explaining the motivations behind CSED and identifying the patterns of CSED that are useful for the Jordanian stakeholder.

One of the main results of this study is that corporate size has a positive correlation with the level of CSED practices. The main reason for this result is that larger firms are usually more exposed and sensitive to external criticisms

than smaller firms. Therefore, they are more likely to disclose more information in order to alleviate such criticisms. This result is important in drawing the attention of Jordanian government, shareholders and investors to the need to improve the financial position of a firm by eliminating any legal barriers to foreign and local investment; this includes the need to encourage a company to increase its voluntary disclosure.

Auditor type is also one of the internal factors that have a significant effect on CSED practices. This result indicates that international audit firms such as; Big-4 audit firms have a more significant influence on CSED than local audit firms. This is significant in that the use of international auditors has become increasingly important in all business enterprises in Jordan. This result is also important in drawing the attention of Jordanian audit firms to improving the level of their services in order to build a good reputation, which will increase competition in the local market.

On the other hand, although the nature of the relationship between type of financial market and CSED is an inverse relationship, the financial market is statistically significant at 0.05 levels. This means that companies listed in the second market have provided more information on CSR practices than the companies listed in the first market. Indeed, this result is a clear indication of the importance of compliance with voluntary disclosure requirements in order to avoid being delisted from the ASE. It is therefore a very significant result because it will draw the attention of all companies whether listed on the first and second market of the need to be more informative on their CSER activities.

One of the main results of this study is that all local contextual factors such as, the political, legal, economic and cultural environment, have a positive correlation with the level of CSR practices. Indeed, in light of the lack of research demonstrating a relationship between local contextual factors and CSED in the Arab region, this result highlights the importance of local contextual factors as fundamental determinants of CSER disclosures in Jordan. This result therefore can be considered as a motivation to encourage further research attention in this area.

The results of this study aimed also to identify the patterns of CSED that are useful for the Jordanian stakeholder, to evaluate their perceptions of the method used for CSED practices, and the main motivations behind CSED in Jordanian context. Results documented in chapter six indicated that (i) the annual corporate report is the primary method of CSED practices in a Jordanian context; (ii) the patterns of H.R, environment, society, product, fair practice and energy are, respectively, the most useful for Jordanian stakeholders; and (iii) ethical standards are the main motivations behind CSED practices, followed by public pressures, maximizing profit, corporate internal policy, tax reduction and religious values.

The most important feature of the results is that they open up new horizons for researchers in identifying potential areas for future investigation. These results are also significant as that they clarify the obstacles that prevent companies from disclosing social and environmental information in Jordan. They are also important in disclosing relevant information to various stakeholders in the way that they consider most useful. This therefore makes it easier for companies to

balance the interest of their various stakeholders, and to take reasonable steps to avoid any conflict of interest.

It can be concluded that, in general terms, the results of this study are important to both internal and external stakeholders who may wish to increase their level of social and environmental awareness of corporate voluntary initiatives in developing countries in general and in Jordan in particular.

7.5 Limitations of the Research

As with any academic research, there have been some limitations throughout the research journey. Like other studies, this study has faced several limitations, which specifically began with the selection of the main sample from the population. Below are the main limitations associated with this PhD study.

Firstly, one of the most important limitations encountered in this study is subjectivity when gathering the CSER information by using a disclosure index. Although the use of disclosure index has become more generalised in accounting disclosure studies, the researcher's bias and subjectivity is still seen as the most important issue in those types of studies, as it could influence the validity and reliability of the research results. Given the data collection process, using disclosure index, is based on the researcher himself by reading each line of the corporate annual reports, and therefore some research bias cannot be completely dissociated from the process.

Secondly, the long routine procedure along with the limited time available to conduct the interviews is another limitation of this research (see Section 6.2.2.1). Consequently, the researcher was only able to contact 21 out of 30 stakeholders,

giving a response rate of 70% over a limited period of time (25 Jul -19 Sep 2014). The interviews were in Arabic, while the PhD was to be written in English; although steps were undertaken to alleviate the subjectivity in translating the stakeholders' views, it cannot be stated for sure that the translation process is also free of subjectivity.

In light of the above research limitations, it is argued that it is almost impossible for any research to be absolutely flawless due to the fallible nature of human beings who conduct the research activity (Hassan, 2012). However, as precautions a pilot study and regression assumptions were adopted in order to avoid subjectivity in the use of disclosure index and to ensure that the results of this study are valid and reliable. These precautions were discussed in sections 5.2.3 and 5.3.2.4.1. With regard to the second limitation of this study, the researcher relied on his personal connections and friends in order to interview the largest number of the planned sample during the limited time available (see section 6.4.2.2.2).

7.6 Recommendations for Further Research

Considering the research aims discussed in earlier chapters, along with the limitations highlighted in the above section it can be argued that the researcher has a clear perception of several recommendations relevant to CSED practices. In fact, these recommendations could be adopted by some researchers as potential issues to be studied in their future research.

As explained above, this PhD study is based empirically on disclosures of social and environmental information made by corporations listed in the industrial sector over the three years of 2010, 2011 and 2012. It would be particularly

interesting to explore such voluntary practices within a longitudinal study over longer periods of time. In addition, future researchers may also wish to consider the changes in CSED levels across different sectors listed in the ASE, or possibly even across countries.

Furthermore, the current study is focused on analysing the effect of the local contextual factors on the level of CSED practices in general. Therefore, further research is needed to discuss the perceptions of stakeholders on sub-contextual factors that may affect corporate disclosures. It would also be useful to focus on one of these national factors.

7.7 Summary

This chapter has shown the main results of this study with regard to the research purposes. Moreover, this PhD study has provided five modest contributions in the area of corporate social and environmental disclosure. Therefore, it can be argued that this research has achieved its objectives, and has made policy recommendations for future research in the area.

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Appendixes

Appendix (1): To whom it may concern to facilitate the field work trip



07 July 2014

To Whom It May Concern

Re: Mr Tareq Oudeh Eid Bani Khalid


This is to confirm that Mr Tareq Bani Khalid has been registered as a full time postgraduate student in the Dundee Business School (DBS), University of Abertay Dundee. He is studying under my supervision for his PhD research project entitled "An Analysis of Disclosure of Social and Environmental Responsibility - Perceptions of Jordanian stakeholders".

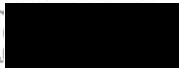
Tareq as part of his PhD research needs to visit Jordan for a period of two months in order to collect the necessary data as part of his empirical work for the project. This research requires Tareq to collect and analyse both primary and secondary data. The secondary data is readily available from Amman's Stock Exchange. However, the primary data can only be obtained directly from the companies and their relevant stakeholders. As his supervisor I have considered his plan for the empirical part of his studies and at this stage I believe that two months (25th July 2014 to 25th September 2014) should be enough for this purpose and he has my approval for this trip.

The PhD research project has a very applied orientation that should appeal to Jordanian companies' and Government since it is intended primarily to address the important issue of the Disclosure of Social and Environmental Responsibility that will influence the structure and quality of the companies' financial reporting.

I would appreciate it if you provide him with any necessary help and assistance in order to complete this empirical work.

Yours faithfully,


Professor Reza Kouhy
Supervisor

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Appendix (2): To whom it may concern to facilitate the field work trip



جامعة آل البيت
Al al-BAYT UNIVERSITY

قسم المحاسبة

كلية ادارة المال والاعمال

توافق: 2015/3/1

الساده هيئة الاوراق المالية المصترمين

تعية طيبة ويعد،

ارجو التكرم شاكرا من هينتم بتزويد الطالب (الموفد) طارق بني خالد ببعض

البيانات المتاحة لديكم ، علما بان البيانات المطلوبة هي غير متاحة على موقعكم وسوف

تستخدم لغايات الدراسة والبحث فقط .

للإطلاع وإجراء ما ترونه مناسباً...

رئيس قسم المحاسبة

تيميل

Appendix (3): Disclosure Index Checklist

Disclosure Index Checklist



Name of Firm: _____ year: (20____)

Firm Size: (Total Assets)

Firm Profitability (ROE)

Firm age

Industrial Type (Sub-Sector 1-11)¹⁴

Firm Ownership (1-3)

1- Local

2- Foreign

3- MIX.

Ownership Structure	No.	%
Local		
Foreign		
Total		

Audit Firm (1-2)

1- Big-4 Auditor¹⁵

(.....)

2- Non- Big-4 Auditor

(.....)

Type of Financial Market (1-2)

1-First Market

2-Second Market

¹⁴Sub-sector; (1)Pharmaceutical and Medical Industries; (2)Chemical Industries; (3)Paper, Cardboard and Printing Industries; (4)Food and Beverages; (5)Tobacco and Cigarettes; (6)Mining and Extraction Industries; (7)Engineering and Construction; (8)Electrical Industries; (9)Textiles, Leathers and Clothings; (10)Glass and Ceramic Industries.

¹⁵The Big-4 are the four largest international professional services networks, offering audit, assurance, tax, consulting, advisory and legal services:

1-Deloitte;2-PwC;3- Ernst & Young; and4-KPMG

Disclosure index- CSED items

items	Sub-items	0/1	F.D	items	Sub-items	0/1	F.D
(1) Environment	(1) conservation of natural resources			(4) Human resources	(26) profiles of employees		
	(2) repairs of environmental damage				(27) employee training programmes		
	(3) Protection of air emission				(28) occupational health and safety		
	(4) disposal of hazardous wastes				(29) employee benefits, pensions and rewards		
	(5) recycling of waste products				(30) employee holidays and vacations		
	(6) installation of wastewater treatment plant				(31) recreation clubs and public libraries		
	(7) land reclamation and forestation				(32) transportation for the employees		
	(8) other environmental disclosures				(33) other human resource disclosures.....		
(2) Energy	(9) conservation of energy			(5) Products	(34) safety information		
	(10) energy efficiency of production				(35) customer protection; product use, packaging, after-sales service and warranty		
	(11) renewable energy information				(36) information on the quality product		
	(12) using technology in energy conservation				(37) patent rights		
	(13) firms energy policies				(38) other product disclosures.....		
	(14) other energy-related disclosures				(39) activities for employees and their families		
(3) Fair practices	(15) employment of minorities			(6) Community involvement	(40) health activities		
	(16) advancement of minorities				(41) arts, sports activities		
	(17) employment of women				(42) donations and grants		
	(18) advancement of women				(43) education activities		
	(19) employment of other special interest groups				(44) seminars and conferences		
	(20) support for minority businesses				(45) public facilities (parks and gardens..etc.)		
	(21) socially responsible practices abroad				(46) creating new jobs		
	(22) prevention of monopoly practices				(47) other community disclosures.....		
	(23) avoiding corruption and nepotism practices			(7) others	(48) other disclosures...		
	(24) fair competition among businesses						
(25) other fair practices							
Total	.....						$\sum^i n$

items	Sub-items	0/1	F.D	items	Sub-items	0/1	F.D
(1) البيئة	(1) المحافظة على الموارد الطبيعية			(4) الموارد البشرية	معلومات عن الموظفين (26)		
	(2) إصلاح الأضرار البيئية				برامج تدريب الموظفين (27)		
	(3) حماية الانبعاثات الجوية				الصحة والسلامة المهنية (28)		
	(4) التخلص من النفايات الخطرة				منافع الموظفين والمعاشات والمكافآت (29)		
	(5) إعادة تدوير النفايات				موظف العطل والاجازات (30)		
	(6) معالجة مياه الصرف الصحي				نوادي الترفيه والمكتبات العامة (31)		
	(7) استصلاح الأراضي والتشجير				وسائل النقل للموظفين (32)		
	(8) الإفصاحات البيئية الأخرى				أخرى الإفصاحات الموارد البشرية (33)		
(2) الطاقة	(9) الحفاظ على الطاقة			(5) المنتجات	معلومات السلامة (34)		
	(10) كفاءة استخدام الطاقة في الإنتاج				حماية المستهلك، والتغليف وخدمات ما بعد البيع والضمان (35)		
	(11) معلومات الطاقة المتجددة				معلومات عن جودة المنتج (36)		
	(12) استخدام التكنولوجيا في حفظ الطاقة				حقوق براءات الاختراع (37)		
	(13) سياسة الشركة تجاه الطاقة				معلومات عن منتجات (38)		
	(14) أخرى الإفصاحات ذات الصلة بالطاقة				أنشطة للموظفين وعائلاتهم (39)		
(3) الممارسات العادلة	(15) توظيف الأقليات			(6) المشاركات المجتمعية	أنشطة الصحة (40)		
	(16) النهوض بالأقليات				الفنون والأنشطة الرياضية (41)		
	(17) عمل المرأة				التبرعات والهبات (42)		
	(18) النهوض بالمرأة				أنشطة التعليم (43)		
	(19) العمل مع جماعات المصالح الخاصة				الندوات والمؤتمرات (44)		
	(20) تقديم الدعم للشركات الأقلية				المنتزهات والحدائق; المرافق العامة (45)		
	(21) ممارسات اجتماعية في الخارج				خلق فرص عمل جديدة (46)		
	(22) منع الممارسات الاحتكارية				الإفصاحات المجتمع الأخرى (47)		
	(23) تجنب الممارسات الفساد والمحسوبية				... الإفصاحات الأخرى (48)		
	(24) منافسة عادلة بين الشركات						
	(25) غيرها من الممارسات العادل						
	(7) أخرى						
Total	.....$\sum^i n$						

Appendix (4): Pooled Regression, Fixed and Random Effect Models

Pooled Regression

Source	SS	df	MS			
Model	1.36986333	7	.195694761	Number of obs =	198	
Residual	2.52615283	190	.013295541	F(7, 190) =	14.72	
Total	3.89601616	197	.019776732	Prob > F =	0.0000	
				R-squared =	0.3516	
				Adj R-squared =	0.3277	
				Root MSE =	.11531	

CSED	Coef.	Std. Err.	t	P>|t|	[95% Conf. Interval]	
SIZE	2.82e-07	6.50e-08	4.34	0.000	1.54e-07	4.11e-07
ROE	.092875	.0550051	1.69	0.093	-.0156241	.2013741
AGE	-.0008884	.0006361	-1.40	0.164	-.0021431	.0003664
IND	.0009516	.0032164	0.30	0.768	-.0053928	.007296
OWN	.016081	.0385645	0.42	0.677	-.0599886	.0921507
AUD	.0982669	.0224516	4.38	0.000	.0539804	.1425533
FINMARK	-.0624924	.0173231	-3.61	0.000	-.0966628	-.028322
_cons	.5332912	.0573708	9.30	0.000	.4201257	.6464567

Fixed Effect

Fixed-effects (within) regression	Number of obs =	198
Group variable: COMPANY	Number of groups =	66
R-sq: within = 0.0530	Obs per group: min =	3
between = 0.2181	avg =	3.0
overall = 0.1746	max =	3
	F(6,126) =	1.17
corr(u_i, Xb) = -0.6855	Prob > F =	0.3241

CSED	Coef.	Std. Err.	t	P>|t|	[95% Conf. Interval]	
SIZE	4.37e-07	2.69e-07	1.62	0.107	-9.63e-08	9.69e-07
ROE	.007976	.058564	0.14	0.892	-.1079205	.1238724
AGE	.0063663	.0074207	0.86	0.393	-.0083191	.0210516
IND	0	(omitted)				
OWN	-.024606	.0591893	-0.42	0.678	-.1417399	.0925278
AUD	.0702719	.0459932	1.53	0.129	-.0207474	.1612912
FINMARK	-.0145568	.0194919	-0.75	0.457	-.0531307	.0240172
_cons	.3107351	.2038798	1.52	0.130	-.0927371	.7142073
sigma_u	.15101699					
sigma_e	.08252944					
rho	.77002894	(fraction of variance due to u_i)				

F test that all u_i=0: F(65, 126) = 3.83 Prob > F = 0.0000

Appendix (5): Covering Letter for Interviews



DUNDEE BUSINESS SCHOOL

Covering letter for interviews

Project Title:

**An Analysis of Disclosure of Social and Environmental Responsibility
and stakeholders Perceptions – The case study of Jordan**

By

Student Name: Tareq Bani Khalid

Student NO: [REDACTED]

Contact Details: [REDACTED]

Principal Supervisor:

Prof Reza Kouhy

Contact Details: [REDACTED]

Second Supervisor:

Prof Gavin Reid

Contact Details: [REDACTED]

I am a PhD research student at Dundee Business School, Abertay University, United Kingdom. My research is on “An Analysis of Disclosure of Social and Environmental Responsibility and stakeholders Perceptions – The case study of Jordan”. Considering the nature of this study, that aims to understand the level of disclosure on both social and environmental information and to understand the perception of various stakeholders; this study seeks to provide an adequate basis to explain and analyse the impact of surrounding environment on the non-financial practices in the Jordanian business environment by conducting in-depth interviews with stakeholders. For this purpose, I am very interested in exploring the challenges of external factors towards social environmental practices.

The attached questions for interviews are considered as a main technique that can be used for collecting qualitative data regarding the perceptions of stakeholder on the impact of external factors on the level of CSED practices. Therefore, I'm humbly seeking your assistance and cooperation to participate in this project as one of stakeholders groups in this study.

I would appreciate if you give me the opportunity to conduct an interview with you to discuss the questions on this issue. I will contact you via telephone ASAP, to arrange a time to meet with you. If you should have questions, please feel free to contact me on:

████████████████████
████████████████████
████████████████████

Thank you for your kind cooperation
Tareq Bani Khalid

Interview Questions

Type of sector

Type of stakeholders

Question.1: What are the stakeholders' perceptions on the corporate sources that used for disclosure of social and environmental information?

Question.2: What are the stakeholders' perceptions on the useful patterns of CSED practices?

Question 3: What are the stakeholders' perceptions on the motivations behind of CSED practices?

Question 4: What are the stakeholders' perceptions on the effect of political system on CSED practices?

Question 5: What are the stakeholders' perceptions on the effect of legal factors on CSED practices?

Question.6: What are the stakeholders' perceptions on the effect of cultural values on CSED practices?

Question7: What are the stakeholders' perceptions on the effect of the economic conditions on CSED practices?

Appendix (6): List of Industrial Companies Operating in Jordan (2010-2012)

Industrial Sectors		
1-Pharmaceutical and Medical Industries		
1.	MIDDLE EAST PHARMA and MEDICAL APPLIANCES	<u>MPHA</u>
2.	THE JORDANIAN PHARMACEUTICAL MANUFACTURING	<u>JPHM</u>
3.	HAYAT PHARMACEUTICAL INDUSTRIES CO.	<u>HPIC</u>
4.	PHILADELPHIA PHARMACEUTICALS	<u>PHIL</u>
5.	DAR AL DAWA DEVELOPMENT and INVESTMENT	<u>DADI</u>
6.	ARAB CENTER FOR PHARM. and CHEMICALS	<u>APHC</u>
2-Chemical Industries		
7.	COMPREHENSIVE MULTIPLE PROJECT COMPANY	<u>INOH</u>
8.	THE ARAB PESTICIDES and VETERINARY DRUGS MFG. CO.	<u>MBED</u>
9.	INTERMEDIATE PETROCHEMICALS INDUSTRIES CO. LTD.	<u>IPCH</u>
10.	THE INDUSTRIAL COMMERCIAL and AGRICULTURAL	<u>ICAG</u>
11.	PREMIER BUSINESS AND PROJECTS CO.LTD	<u>ACDT</u>
12.	JORDAN CHEMICAL INDUSTRIES	<u>JOIC</u>
13.	UNIVERSAL CHEMICAL INDUSTRIES	<u>UNIC</u>
14.	INDUSTRIAL INDUSTRIES and MATCH/JIMCO	<u>INMJ</u>
15.	NATIONAL CHLORINE INDUSTRIES	<u>NATC</u>
16.	JORDAN INDUSTRIAL RESOURCES	<u>JOIR</u>
3-Paper and Cardboard Industries		
17.	PEARL- SANITARY PAPER CONVERTING	<u>PERL</u>
18.	ARAB COMPANY FOR INVESTMENT PROJECTS	<u>APCT</u>
19.	JORDAN PAPER AND CARDBOARD FACTORIES	<u>JOPC</u>
20.	AL-EKBAL PRINTING AND PACKAGING	<u>EKPC</u>
4-Food and Beverages		
21.	NATIONAL POULTRY	<u>NATP</u>
22.	THE ARAB INTERNATIONAL FOOD FACTORIES	<u>AIFF</u>
23.	NUTRI DAR	<u>NDAR</u>
24.	JORDAN VEGETABLE OIL INDUSTRIES	<u>JVOI</u>
25.	FIRST NATIONAL VEGETABLE OIL INDUSTRIES CO.	<u>FNVO</u>
26.	JORDAN POULTRY PROCESSING and MARKETING	<u>JPPC</u>
27.	JORDAN DAIRY	<u>JODA</u>
28.	GENERAL INVESTMENT	<u>GENI</u>
29.	FOOD and VEGETABLE OIL INDUSTRIES CO.	<u>FVCO</u>
30.	UNIVERSAL MODERN INDUSTRIES	<u>UMIC</u>
5-Tobacco and Cigarettes		
31.	UNION TOBACCO and CIGARETTE INDUSTRIES	<u>UTOB</u>
32.	AL-EQBAL INVESTMENT COMPANY LTD	<u>EICO</u>
6-Mining and Extraction Industries		
33.	JORDAN STEEL	<u>JOST</u>

34. NATIONAL ALUMINIUM INDUSTRIAL	<u>NATA</u>
35. INVESTMENTS AND INTEGRATED INDUSTRIES CO. PLC	<u>INTI</u>
36. INTERNATIONAL SILICA INDUSTRIAL	<u>SLCA</u>
37. TRAVERTINE COMPANY LTD	<u>TRAV</u>
38. JORDAN FOR ELECTRICITY PRODUCTION FRPM OIL SHALE	<u>JOSE</u>
39. UNITED IRON and STEEL MANUFACTURING CO. P.L.C	<u>MANS</u>
40. JORDAN MARBLE COMPANY P.L.C.	<u>JMCO</u>
41. GENERAL MINING COMPANY PLC	<u>GENM</u>
42. ARAB ALUMINIUM INDUSTRY /ARAL	<u>AALU</u>
43. NATIONAL STEEL INDUSTRY	<u>NAST</u>
44. JORDAN PHOSPHATE MINES	<u>JOPH</u>
45. THE JORDAN CEMENT FACTORIES	<u>JOCM</u>
46. THE ARAB POTASH	<u>APOT</u>
7-Engineering and Construction	
47. READY MIX CONCRTE AND CONSTRUCTION SUPPLIES	<u>RMCC</u>
48. RUM ALADDIN INDUSTRIES	<u>IENG</u>
49. ARABIAN STEEL PIPES MANUFACTURING	<u>ASPM</u>
50. AL-QUDS READY MIX	<u>AQRM</u>
51. ASSAS FOR CONCRETE PRODUCTS CO.LTD	<u>ASAS</u>
52. THE JORDAN PIPES MANUFACTURING	<u>JOPI</u>
53. AL-JANUOB FILTERS MANUFACTURING	<u>AJFM</u>
54. JORDAN WOOD INDUSTRIES / JWICO	<u>WOOD</u>
8-Electrical Industries	
55. MIDDLE EAST SPECIALIZED CABLES COMPANY	<u>JNCC</u>
56. ARAB ELECTRICAL INDUSTRIES	<u>AEIN</u>
57. UNITED CABLE INDUSTRIES	<u>UCIC</u>
58. NATIONAL CABLE and WIRE MANUFACTURING	<u>WIRE</u>
9-Textiles and Clothing	
59. EL-ZAY READY WEAR MANUFACTURING	<u>ELZA</u>
60. CENTURY INVESTMENT GROUP	<u>CEIG</u>
61. ARAB WEAVERS UNION COMPANY P.L.C	<u>ARWU</u>
62. JORDAN CLOTHING COMPANY P.L.C	<u>CJCC</u>
63. THE JORDAN WORSTED MILLS	<u>JOWM</u>
64. AKARY FOR INDUSTRIES AND INVESTMENTS	<u>WOOL</u>
10-Glass and Ceramic Industries	
65. INTERNATIONAL CERAMIC INDUSTRIES	<u>ICER</u>
66. JORDAN CERAMIC INDUSTRIES	<u>JOCF</u>

Appendix (7): Mapping the Research Process

Research Problem

The voluntary nature of corporate social and environmental disclosure (CSED) leads to different levels of financial reporting quality. This issue has led to create a conflict of interest between firm and its stakeholders in the Jordanian business environment.

Research Aim

The aim of this study is to analyse CSED levels by Jordanain companies and evaluate the perception of stakeholders on these disclosure practices.

Research Objectives

To explore the level of CSED practices in corporate annual reports in Jordan

To investigate the effect of corporate characteristics on the level of CSED practices in Jordan

To explore stakeholders' perceptions of the contextual factors affecting the level of CSED practices in Jordan

Research Questions

What is the level of CSED in the annual reports of industrial companies operating in Jordan?

Do firms' characteristics determine the level of CSED practices of industrial companies operating in Jordan?

What are stakeholders' perceptions regarding the effect of external factors on the level of CSED practices?

Research Method & Methodology

