ONLINE SUSTAINABILITY DISCLOSURE:
ASSESSING CUSTOMER'S INFLUENCE AND THE USE OF WEB
AS A MEDIUM OF COMMUNICATION AMONG THE PUBLIC
LISTED COMPANIES IN MALAYSIA

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Universiti Sains Malaysia
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ABSTRAK

Sejak dekad yang lalu, pelbagai isu alam sekitar, sosial dan ekonomi yang disebabkan oleh syarikat korporat telah menjejaskan kehidupan pelbagai pihak yang berkepentingan. Senario ini mempengaruhi pihak berkepentingan terutamanya pelanggan yang merupakan pihak berkepentingan utama untuk bangun dan meminta amalan sustainabiliti daripada syarikat-syarikat di seluruh dunia. Ini menyebabkan tekanan terhadap syarikat-syarikat ini untuk bukan sahaja mengamalkan sustainabiliti dalam operasi mereka tetapi juga untuk berhubung dengan pihak berkepentingan terbabit melalui pendedahan sukarela menggunakan medium yang betul. Oleh itu, menggunakan teori stakeholder, teori legitimacy dan teori Media Richness, kajian ini menyiasat pengaruh pelanggan terhadap tahap pendedahan sustainabiliti dalam talian dan juga menganalisis amalan dikalangan syarikat senarai awam Malaysia dalam menggunakan potensi laman web untuk pendedahan sustainability sukarela. Kajian ini menggunakan analisis kandungan untuk menganalisis pendedahan sustainabiliti dalam talian. Berdasarkan kajian-kajian sebelum ini, beberapa pembolehubah iaitu kepelbagaian pasaran, kepelbagaian produk, jenama, jenis perniagaan, saiz syarikat, keuntungan dan keahlian industri dipilih sebagai proksi untuk kumpulan pelanggan-pelanggan dan pengaruh mereka terhadap tahap pendedahan sustainabiliti dalam talian telah diuji. Hasilnya menunjukkan keuntungan, saiz syarikat, kepelbagaian produk dan jenama mempunyai hubungan positif yang signifikan dengan tahap pendedahan sustainabiliti dalam talian dikalangan syarikat tersenarai awam Malaysia manakala keahlian industri, kepelbagaian pasaran dan jenis perniagaan tidak mempunyai hubungan signifikan dengan tahap pendedahan sustainabiliti dalam talian. Ia juga didapati daripada kajian ini bahawa syarikat tersenarai awam Malaysia tidak

menggunakan sepenuhnya potensi yang ditawarkan oleh web dari aspek ketepatan masa,

akses, interaksi dan pembentangan dan organisasi.

ABSTRACT

Over the past decade, various environmental, social and economic issues caused by the corporate companies are affecting various stakeholders. The scenarios are influencing these stakeholders especially the customers as a powerful primary stakeholder group to risen up and demand for more sustainability practices from companies around the globe. This has caused pressure on companies to not only practice sustainability in their operations but also to engage with the stakeholders via voluntary disclosures using proper medium. Thus, using Stakeholder Theory, Legitimacy Theory and Media Richness Theory; this study investigates the different sets of customer's influence on the extent of online sustainability disclosure and also analyzes the practices among the Malaysian public listed companies in utilizing the potential of the website for sustainability disclosure. The study uses content analysis to analyze the online sustainability disclosure. Based on the previous literature, several variables namely market diversification, product diversification, brand name, nature of business, company size, profitability and industrial membership are selected as the proxy for the customer group and their influence on the extent of online sustainability disclosure were tested. The result reveals that, profitability, company size, product diversification and brand name have significant positive relationship with the extent of online sustainability disclosure among the Malaysian public listed companies while industry, market diversification and business nature have insignificant relationship with the online sustainability disclosure. It was also found from this study that Malaysian public listed companies are not fully utilizing the potential offered by the web from the aspect timeliness, interaction, accessibility and presentation and organization.

Chapter 1   INTRODUCTION

1.1 Background of the Study

Interest on sustainable development arising from various environmental issues such as climate change, waste production, deforestation and pollution has become mainstream in the society in recent years along with many other social and economical issues such as employee discrimination, human rights violation, animal welfare, accounting fraud, bribery and Ponzi schemes. A brief scan on the current landscape shows that many global companies have been linked with irresponsible actions such as Nestle, Wal-mart, BP, Exxon Mobil, Chevron, Coca-Cola, Monsanto, Enron, WorldCom, Vodafone, Halliburton, Pfizer and Madoff Investment Securities LLC with their environmental, labor and human rights violations, dishonest business practices and frauds. The notion of irresponsible actions by the global companies can be explained further by these examples:

- British Petroleum (BP)'s Deepwater Horizon oil spill affecting the livelihood of more than 120,000 people and cost BP of US$41.3 billion in clean-up, compensation and other cost up to 2011 while also wiping out US$60 billions of shareholders money from the New York Stock Exchange (Carrington, 2012; Johnson, 2011).

- Enron's accounting fraud which led to the bankruptcy of the company caused the investors to lost money exceeding US$ 70 billion and thousands of workers lost their jobs, health care and life savings while the top executives were paid $50 million in retention bonuses just days before the bankruptcy filing (Paulsen, 2002).

- Pfizer was fined by the US government for the use of banned asbestos in their product, healthcare fraud for illegally promoting its pharmaceutical products. Besides that they also paid compensation for a serious human rights violation on illegal testing of trial drug on poor Nigerian children causing 11 deaths (Lannin, 2009).

- Carbon Disclosure Project (CDP 4) reported in 2006 that the FTSE 100 companies which represent 81% market capitalization at London Stock Exchange was responsible for around 73% of the UK's total greenhouse gas emissions between 2003 and 2004 (J. E. Haddock-Fraser & Tourelle, 2010).

- US subprime mortgage crisis partly due to mismanagement of funds by US financial institutions had caused the world's financial companies losses of more than US$ 1 trillion (Stewart, 2008) and created dominos effect in many other countries around the world affecting millions of people.

The same scenarios are also unfolding in other developing countries including Malaysia with its own share of environmental, social and economical violations. For example; Malaysian palm oil companies have been accused for forest burning and genocide against endangered orangutans in Indonesia, Transmile accounting frauds, and Samling Global's illegal logging causing destruction to the environment and the livelihood of Penan and other indigenous people in Borneo. Besides that, KPMG's report in 2009 indicates that the corporate fraud among the Malaysian companies are expected to increase (KPMG, 2009) while the survey done by Edelman Trust shows that only about 58% of Malaysians have trust on the Malaysian companies in doing what is right (BERNAMA, 2012).

All these irresponsible actions by companies operating around the globe have created enough damages to the world from environmental, social and economical perspectives. This is supported further by the findings of a major study supported by UN-backed Principles for Responsible Investment (PRI) and UNEP Finance Initiative in 2011 that the cost of pollution and other damage to the natural environment caused by the world's biggest companies was estimated at US$ 2.15 trillion in 2008 with the public listed companies are responsible for 35% of total global damages of US$ 6.6 trillion (UNPRI & UNEP, 2011).

Table 1

Annual environmental costs in 2008

Environmental impact	External costs for the global economy in 2008 (US$ billions)	External costs generated by listed companies in 2008 (US$ billions)
Greenhouse gas (GHG) emissions	4,530	1.445
Water abstraction	1,226	0.367
Pollution (SOx, NOx, PM, VOCs, mercury)	546	0.314
General waste*	197	0.021
Natural resources *Fish* *Timber*	54 42	0.006 0.002
TOTAL	6,596	2,154,218

*The estimate for general waste only includes data on OECD countries, as there is no consensus on global waste figures.

Source: (UNPRI & UNEP, 2011)

If the trend continues, then human being was likely to face a series of significant resource constraints that were expected to affect the quality of life significantly. This is based on the analysis by Meadows, Randers and Meadows (2004) which was first carried out in 1972 and again in 1992 and 2004. The analysis explained further that with the growing population, food production and industrial production, it will lead to declining of natural resources and increase pollution. The resultant will be the decrease in food production, industrial output and eventually the decrease of human population.
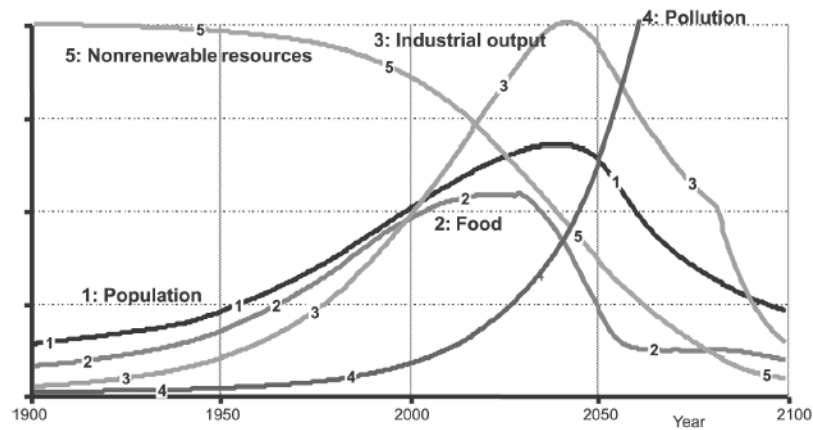
Source: (Meadows, Randers, & Meadows, 2004)

Figure 1: Pollution crisis if the existing trend continues.

Still, there is no clear sign of human kind adopting sustainable development in preserving the world. For example, according to the data published by the US Energy Information Administration in 2011, there will be continued increase in world consumption of marketed energy from all type of fuel sources through 2035.
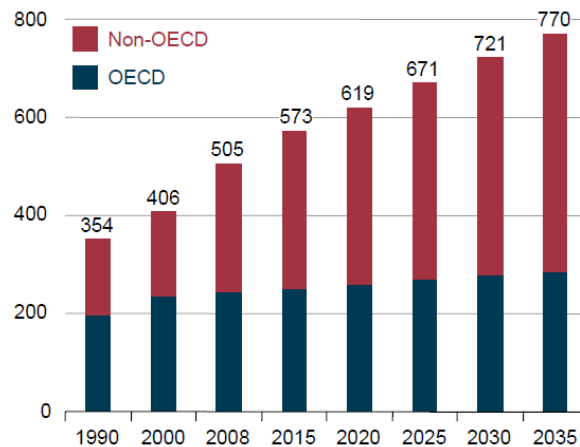
Source: International Energy Outlook 2011

Figure 2: World Energy Consumption, 1990 – 2035 (quadrillion Btu).

In the same report, it was also mentioned that worldwide energy-related carbon dioxide emissions from the use of liquid fuels, natural gas, and coal are expected to continue the uptrend.
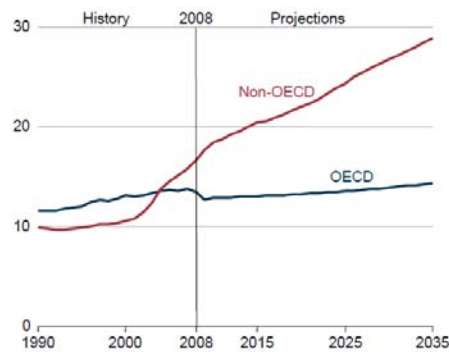
Figure 3: World energy-related carbon dioxide emissions (billion metric tons).
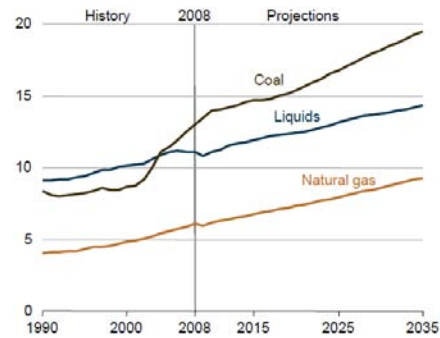
Figure 4: World energy-related carbon dioxide emissions by fuel type, (billion metric tons)

Source: International Energy Outlook 2011

This is very alarming for the survival of human being as even with the current energy consumption, human's ecological footprint which is the measure of how much land and water area a human population requires to produce the resource it consumes and to absorb its carbon dioxide emissions already uses the equivalent of 1.5 planets to provide the resources to support life. In other words, it takes the Earth one year and six months to regenerate what the existing humanity uses in a year. Turning resources into waste faster than waste can be turned back into resources puts human in a global ecological overshoot which occurs when humanity's demand on nature exceeds what the earth can supply. The result will be the collapsed of fisheries, diminishing forest cover, depletion of fresh water systems, and the buildup of carbon dioxide emissions, which creates problems like global climate change. These are just a few of the most noticeable effects of global ecological overshoot (GFN, 2011). If the current trend continues, by 2030 humanity will need the capacity of two Earths to absorb carbon dioxide waste and keep up with natural resource consumption. If the planet is expected to unable to support life in the future, then only the most drastic changes in the mechanisms by which environment, social and economy are organized and managed can bring the positive changes for the survival of human being.
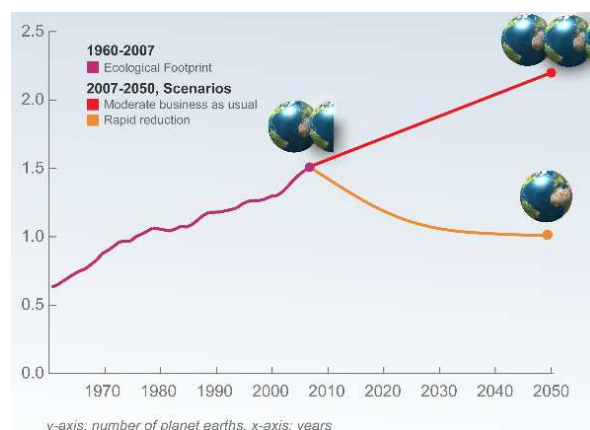
Source: Global Footprint Network

Figure 5: Ecological Overshoot.

With companies are being seen as the major cause for the ecological harm around the globe (Clifton & Amran, 2010) and also on the other negative economical and societal impacts, companies need to play a bigger role in the resolution of these problems (Clifton & Amran, 2010). Unfortunately, Edelman Trust Barometer also reveals that trust towards business institution fell to 47% in 2012 research compared with 53% in 2010 while some countries have seen double-digits drop in business trust (Edelman, 2012). The diminishing of the trust has challenged the concept of social contract which has existed between companies and society for years. Nevertheless, companies now are facing mounting pressure from various stakeholders in managing the company's operations. As the respond for such pressures; economic, environmental and social reporting has been used by companies to demonstrate their corporate accountability and integrity (Scott & Jackson, 2002) while providing an opportunity for the stakeholders to identify whether their concerns have been taken into account (Aras & Crowther, 2007). Looking at this from stakeholders' approach, companies exist for the benefit of the various stakeholders. So, even though companies will need to ensure the survival of their business operation for the sake of their shareholders but this has to be done in a way that will maximize the value of the company while maintaining the benefits to the various stakeholders too (Phillips, Freeman, & Wicks, 2003). Companies cannot anymore harm the environment and ignore the negative social and economic impact of their irresponsible actions without being questioned by the stakeholders.

1.2 Sustainability Disclosure

Sustainability reporting has been widely used to refer to a 'public report by companies to provide internal and external stakeholders with a picture of the corporate position and

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activities on economic, environmental and social dimensions' (WBCSD, 2002). Sustainability reporting is also synonymously known as corporate social and environmental reporting (CSER), social reporting, corporate sustainability reporting or environmental reporting; which refer to the same intention and meaning that is, to report on corporate responsibility towards their stakeholders (Hedberg & Malmborg, 2003; Stiller & Daub, 2007). Prior to the existence of sustainability reporting, the earlier trend of companies in the voluntary disclosure initiatives mainly focused on the social and environmental aspects through the company's annual reports. This is part of the actions by these companies to handle the public's impressions towards them or to maintain the organizational legitimacy (Neu, Warsame, & Pedwell, 1998).

Sustainability reporting actually evolved in the mid 1990's with the first true sustainability reporting was issued at the end of the decade, in line with the set up of Global Reporting Initiative (GRI) and its first set of GRI sustainability reporting guidelines in 1999. The Global Reporting Initiative Sustainability Reporting Guidelines (GRI guidelines) defines sustainability reporting as "…the practice of measuring, disclosing and being accountable to internal and external stakeholders for organizational performance towards the goal of sustainable development" and act as a communication tool for business organizations to manage and balance their productive efforts with those of the environment and their surrounding communities especially with customers who have emerged as a stakeholder group with a strong interest in sustainability performance (Poolthong, 2009).

With the growing importance of sustainability issues for companies around the world (C. Adams & Narayanan, 2007), sustainability reporting also has grown

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tremendously among these companies and has seen sharp increases in the numbers too (A. Kolk, 2003; KPMG, 2011).
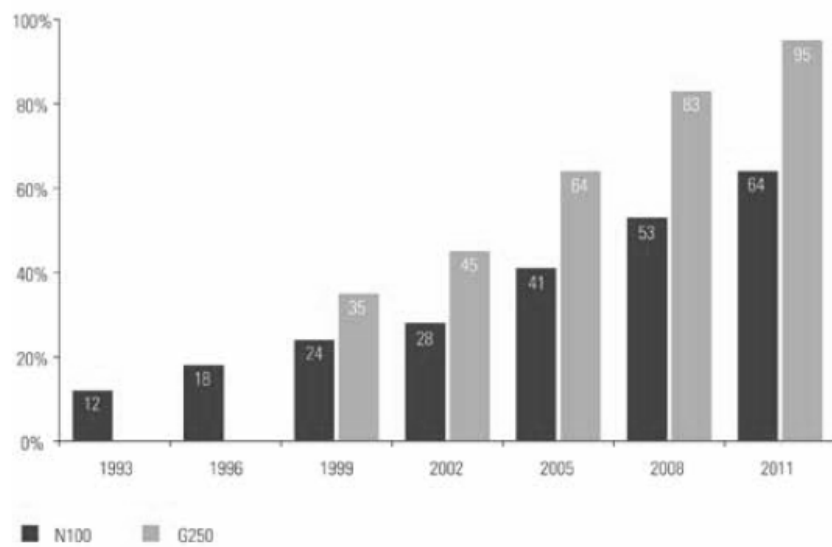
Figure 6: Sustainability Reporting growing trend (N100 and G250).
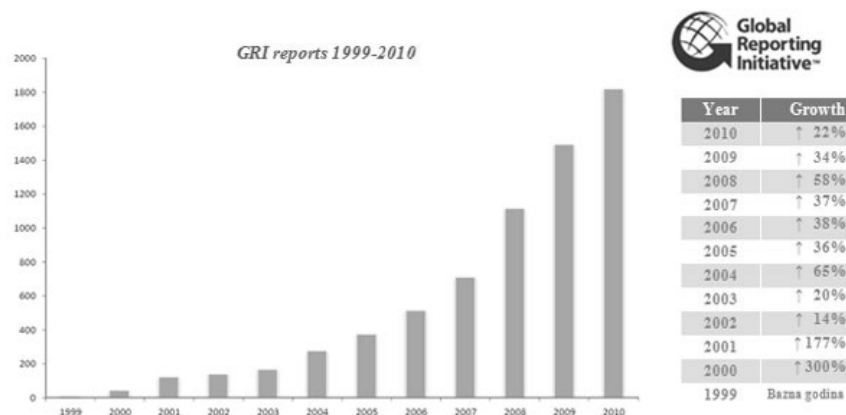
Figure 7: Total Numbers of Sustainability Reporting – GRI (1999 – 2010).

According to Wilson (2003):

"while corporate sustainability recognizes that corporate growth and profitability are important, it also requires the corporation to pursue societal goals,

specifically those related to sustainable development – environmental protection,

social justice and equity, and economic development".

Thus, sustainability disclosure intended to capture and present a comprehensive economic, social and environment towards all stakeholders including shareholders, customers, employees, governments, community, and the general public. As company's performance are being evaluated more and more by their impact on the environment and society, companies need to enhance their effort on corporate sustainability and trustworthiness in the eyes of their stakeholders (Sheikh & Beise-Zee, 2011).

By 2011 there are over 3,000 companies world-wide has issued sustainability reporting, with a substantial proportion being based on the third generation of the GRI guidance. Considering it has taken nearly 200 years for financial reporting to reach its current stage of maturity, sustainability reporting only took about 20 years to reach the same stage and the field is still evolving and develops into more sophisticated stages such as reporting via web and integrated reporting. From Malaysia's context, there are also many empirical studies focusing on non-financial disclosures (Ahmad & Sulaiman, 2004; Amran, 2006; Foo & Tan, 1988; Manan & Iskandar, 2003; Zain & Janggu, 2006). Even though earlier studies found that the amount of disclosure amongst Malaysian companies was low (Foo & Tan, 1988; Zain, 1999) but there has been an increasing trend in such reporting (Janggu, Joseph, & Madi, 2007; P. Thompson & Zakaria, 2004). These findings are consistent with the survey conducted by ACCA Malaysia, indicating increases in the number of companies embarking on social reporting (ACCA, 2002).

1.3 Customer's Approach in Sustainability Reporting

Meeting the needs of stakeholders via sustainability reporting is by no means uniform and perceived to be "difficult because of the complexity of fitting multiple stakeholders' expectations while providing a concise message that is credible" (Communication & Alliance, 2010).

According to Edward Freeman, who popularized the concept of stakeholder in his landmark book, *Strategic Management: A Stakeholder Approach*, explained that stakeholders are groups or individuals who can affect or are affected by the company's actions and performance and achievement of the company's objectives (Freeman, 1984). Clarkson (1995) divided further the stakeholders into primary and secondary stakeholders on the basis of how important they are for the achievement of the organization's objective. From company's perspective, primary stakeholders are stakeholders without whose involvements a company cannot survive (such as regulators, customers, and suppliers) while the secondary stakeholders are individuals or groups that are not essential for the survival of the company (such as non-governmental organizations and media) but still has some influences on the company. Thus, the success and the existence of a company depends on their ability to manage their primary stakeholders by catering to their expectations and demands (Freeman & Liedtka, 1991). On this R. Gray, Owen and Adams (1996) provide a description on the relationship between the companies and their stakeholders:

> *"Here the stakeholders are identified by the organization of concern, by reference*
> *to the extent to which the organization believes the interplay with each group*
> *needs to be managed in order to further the interests of the organization. The*

interests of the organization need not be restricted to conventional profit-seeking assumptions. The more important the stakeholder to the organization, the more effort will be exerted in managing the relationship. Information is a major element that can be employed by the organization to manage (or manipulate) the stakeholder in order to gain their support and approval, or to distract their opposition and disapproval."

Thus, companies have no choice but to find a way to identify the primary stakeholders and meet their needs as companies can derive enormous benefits when they are perceived being socially responsible by their primary stakeholders. Among the primary stakeholders, one important stakeholder group that appears to be easily being affected by a company's sustainability practices is its consumers (Bhattacharya & Sen, 2004). Specifically, the stakeholder group consisting of customers is becoming more and more powerful (Podnar, 2008) with sustainability practices becoming an important factor in forming the impression towards the company. For example, after massive customer's pressure, McDonald's stopped selling chicken fed on soya grown in deforested areas of the Amazon rainforest where McDonald's were implicated in deforestation, land-grabbing, slavery and violence (Greenpeace, 2006). This indicates the increasing power of customers as a primary stakeholder for corporate companies. Deegan and Blomquist (2006) state that:

"According to stakeholder theory, the disclosure of particular types of information can be used to gain or maintain the support of particular groups. For example, if a potentially powerful group is concerned about the social or

environmental performance of an organization then that organization might

perceive a need to publicly disclose information about particular social or

environmental initiatives that it has, or is about to, implement so as to alleviate

some of the concerns held by the powerful stakeholders."

Customers can be defined as end consumers who buy the company's finished products or companies buying from other companies under the supply chain management (supplier-vendor relationship). Typically, customers evaluate the sustainability initiatives of a company as they relate it with their own interest relative with personal morals, values, and priorities (Rowley & Moldoveanu, 2003). Positive social responsibility information has a positive effect on the customer's attitude, and negative social responsibility information has a negative effect on the customers' attitude towards the company (Sheikh & Beise-Zee, 2011). A number of surveys and studies points out that customers see sustainability disclosure as a very important issue, and something they expect companies to engage in (Beckmann, 2006; Maignan, 2001; Ramasamy & Yeung, 2008; Sen & Bhattacharya, 2001). With the increased in customer's maturity and affluent over the last two centuries, it has resulted in a very complex relationship between companies and customers. It must be noted too that customers are part of the community or society and can also belongs to NGOs or governments. This poses a considerable problem for companies as they are faced with customers that are extremely difficult to work with as the group can be variously characterized (Gabriel & Lang, 2006).

Given such scenario and taking into account on the limited resources the companies have in producing sustainability disclosure, it is important for companies to

strategize the disclosure in order to share the right information with the right targeted customers which will lead to the maximization of the benefits to the company. One of the ways to strategize is to identify the targeted customers via the company's business strategies such as product/market diversification, brand name and the nature of business. This will allow the customers as the primary stakeholder to be broken down into smaller groups based on these strategies. As each of the strategy will be targeting different sets of customers, companies can then focus their sustainability disclosures to meet the needs of the specific customer group. This is similar with company's marketing perspective; where a specific group of customers will buy a company's products or services while another group will buy a different product or service based on their need and the task then is to determine as closely as possible; who those people are, and 'targeting' the business's marketing efforts towards them based on the customer's preferences. Similarly, by identifying the different sets of customers based on the companies' corporate and marketing strategies, sustainability disclosure then can be tallied to cater to the needs of these groups.

1.4 Usefulness of Web Disclosure

More recently, sustainability disclosure on the web has emerged as an alternative medium for corporate sustainability reporting and communications (C. A. Adams & Frost, 2004) either to complement or even substituting the traditional printed copies. With the issue of communication style such as interactivity is becoming of greater importance (Isenmann & Kim, 2006), web started to play an important role in facilitating rapid communication of information at very low cost (Gowthorpe, 2004). While the majority of the reports on

the web tend to repeat companies' printed reports, a growing number of companies are taking advantage of the unique possibilities that the web can offer in terms of timeliness, mass communication, interactivity, presentation and organization (Sumit K. Lodhia, 2006) by reporting exclusively on the web in PDF format or some nice multimedia features (CSREurope, 2009).

With about 17 million internet users in Malaysia and more than 2 billion internet users around the world (Stats, 2011), web offers countless possibilities in providing the sustainability disclosure in the digital format, and makes the information available to the targeted customers at all time. Web provides powerful tools to the benefit of all groups involved in or affected by sustainability reporting (Isenmann, Bey, & Welter, 2007). The improved presentation of the sustainability disclosure via graphics, animation, multimedia hyperlinks, search and tracking facilities will assist the companies to enhance the stakeholders' engagement.

1.5 Factors that Influence Web Disclosure

The future of sustainability disclosure arguably lies in a shift from 'informing' to 'communicating, engaging and learning' to cater to the diverse stakeholders needs (CSREurope, 2009). Anyhow, it is noted that most of the existing literatures only analyzed on 'who' is reporting, 'what' the companies have reported', 'how much' the companies have reported, and also 'why' the companies might have reported. In contrast, 'how' the reports and reporting information is constructed and communicated with the stakeholders are still underdeveloped (Helen Tregidga, Milne, & Kearins, 2007). These aspects are important as it will determine the quality and the design of the reports from

the aspect of interactivity and communication. The inclusion of complex hypertext structure, graphically designed websites, easier navigation, regular updates and information processing (storage, retrieval, editing, updating, controlling and output cross media in different format) will answer on 'how the information is being communicated' (Isenmann, et al., 2007). With traditional online sustainability disclosure might have its own limitation in terms of communicating the information to a wider range of stakeholders with regular updates; a better approach is needed to improve further the reporting on sustainability issues. Instead of preparing a 'one size fits all' type of disclosure, the companies can prepare an online reporting with improved stakeholder dialogue, better interactivity, and customized or personalized reports with an 'on demand' basis with different type of media formats.

The above arguments justify the use of web reporting to present and access information in a way that benefits both the companies and also the customers. This is by allowing the companies to deliver a meaningful and credible sustainability reporting that meets the needs of their target customers. At the same time, the web based disclosure will enhance the company's business value while making them to become more customer-centric. All these factors are influencing companies to provide a more comprehensive online sustainability disclosure to their stakeholders.

1.3   Problem Statement

It is important to take note that sustainability disclosure has mostly been a voluntary activity even though there are already some countries that have made it as a mandatory. With continued demand from customers as a powerful stakeholder (Podnar, 2008),

sustainability disclosure is quickly becoming a key element in the business environment around the world in meeting the demand from their customers on sustainability practices. It is also has become an important tools for companies to build framework of sustainability processes, information systems, controls and governance (KPMG, 2011).

In the context of Malaysia, even though there is an increase in the number of companies producing sustainability reporting (ACCA, 2002; Janggu, et al., 2007; P. Thompson & Zakaria, 2004) but the total awareness of the sustainability reporting concept is still generally low (Ramasamy & Yeung, 2008; Zulkifli & Amran, 2006). It was highlighted by Amran and Siti-Nabiha (2009) that the local pressure from the local stakeholder is missing as the driver that propels the increase in sustainability reporting in Malaysia compared with western countries (Amran & Siti-Nabiha, 2009). Amran and Siti-Nabiha (2009) also has highlighted that Malaysian public has not been as critical as the more informed public in developed countries on the practices of their companies and the impact of such practices on various stakeholders. Thus, while the number of companies reporting on sustainability practices indeed increasing in Malaysia, the main reason for the increase could be due to the compulsory requirement from Bursa Malaysia for sustainability reporting (TheStar, 2009). So undoubtedly, Bursa Malaysia's direction did driven up the quantity of the reporting but according to ACCA Malaysia, only 10% of the companies actually produced a world class report (TheEdgeMalaysia, 2009).

Based on the arguments above and given the fact that the companies' resources is limited, understanding the influence of different sets of customers as the primary stakeholder will help the companies in identifying and designing the sustainability disclosure that will meet the needs and demand of the customers. From business point of

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view, customers are identified based on the company's business strategies such as market and product diversification, business nature and company's brand name. Thus, any failure to understand the targeted customers will affect the effectiveness of the information provided as different sets of customers will evaluate the information received differently. With various stakeholders including customers are playing a bigger role in putting the pressure on companies around the world to communicate on sustainability issues and the strategic importance of transparency, reporting and accountability (CSREurope, 2000; Signitzer & Prexl, 2008), it is really necessary to understand the influence of different sets of customers on the extent of reporting among the public listed companies in Malaysia.

With the web emerging as an important reporting tool, the study of web reporting is of particular interest since web provides numerous benefits for communication purposes which are able to enhance the information that is communicated to the customers. In fact, the contents of websites are not regulated and companies have complete discretion to voluntarily provide the information that it wishes to disclose. This provides opportunity from the academic point of view to study the online disclosure phenomenon particularly from Malaysian public listed companies' context. Furthermore, researches that uses Media Richness Theory which conceptualizes the usefulness of the web for communication purpose (Sumit K. Lodhia, 2004) are still scarce in Malaysia. As the timeliness, mass communication, interactivity and presentation and organization of web based reporting able to improve the stakeholder dialogue, it is also necessary to analyze the level of practices among the Malaysian public listed companies in utilizing these potentials. Thus, this study is conducted to examine the influence of different sets

of customer on the extent of web disclosure among the Malaysian public listed companies on top of analyzing the practices of these companies in utilizing the potentials provided by websites for sustainability disclosure.

1.4 Research Questions

1) What is the influence of customers on the extent of online sustainability disclosure among the Malaysian public listed companies?

   a) What is the relationship between the company's market diversification and the extent of their online sustainability disclosure in Malaysia?

   b) What is the relationship between the company's product diversification and the extent of their online sustainability disclosure in Malaysia?

   c) What is the relationship between the company's use of brand name and the extent of their online sustainability disclosure in Malaysia?

   d) What is the relationship between the company's business nature and the extent of their online sustainability disclosure in Malaysia?

   e) What is the relationship between the company's size and the extent of their online sustainability disclosure in Malaysia?

   f) What is the relationship between the company's profitability and the extent of their online sustainability disclosure in Malaysia?

   g) What is the relationship between the company's industry type and the extent of their online sustainability disclosure in Malaysia?

2) What is the level of practices among the Malaysian public listed companies in utilizing the potential of the website for sustainability disclosure?

1.5   **Research Objectives**

1) To determine the influence of customers on the extent of online sustainability disclosure among the Malaysian public listed companies.

   a) To examine whether there is any relationship between the company's market diversification and the extent of online sustainability disclosure of the company.

   b) To examine whether there is any relationship between the company's product diversification and the extent of online sustainability disclosure of the company.

   c) To examine whether there is any relationship between the company's use of brand name and the extent of online sustainability disclosure of the company.

   d) To examine whether there is a relationship between the company's business nature and the extent of online sustainability disclosure of the company.

   e) To examine whether there is a relationship between the company's size and the extent of their online sustainability disclosure in Malaysia?

   f) To examine whether there is a relationship between the company's profitability and the extent of their online sustainability disclosure in Malaysia?

   g) To examine whether there is a relationship between the company's industry type and the extent of their online sustainability disclosure in Malaysia?

2) To analyze the practices among the Malaysian public listed companies in utilizing the potential of the websites for sustainability disclosure.

1.6   Definition of Key Terms

In order to have better understanding of the concepts and for further discussion, the following key terms' definitions were referred.

1)   Sustainability Disclosure/Reporting

        Sustainability disclosure/reporting is often used interchangeably with corporate social reporting (CSR), corporate social and environmental reporting (CSER), corporate sustainability reporting, social reporting (SR) or environmental reporting (Stiller & Daub, 2007).

2)   Market Diversification

        Target market of the company with either only the local market or international market too.

3)   Product Diversification

        Either the company is selling only one type of product/service or diversified products/services offerings.

4)   Brand name

        Brand name is the name of the company.

5)   Nature of Business

        Business to Business (B2B) or Closed to Market (C2M).

1.7   Significance of the Study

        The concept of sustainability focuses on a more equitable and harmonized world in which the natural environment, societal values and economical benefits are preserved for the generations to come. On the other hand, globalization has facilitated a great

expansion in corporate influence with companies spanning in many continents, involve in off-shore outsourcing, incorporating various cost cutting measures, and determined to increase profits year after year. While proceeding to be empowered corporations, there are many incidents in which the environment, societal and ethical aspects are being neglected due to profit seeking activities. With the humanity's survival is on stake, there are countervailing pressures from customers who are part of the society raising up to questioned the actions taken by these corporations in preserving the environmental and societal values without neglecting their economical benefits. With the increase sources of information on company's irresponsible actions fueled by the growth in the internet and global media industry, customers as the primary stakeholders are presented with the opportunity to monitor the companies' actions and quickly disseminate the information that didn't meet their interest.

Analyzing this from stakeholder theory, company's success is dependent upon the successful management of all the relationships a company has with its stakeholders especially with their primary stakeholders. Thus, it is important for companies to manage their customers by managing the expectations and the social and economic issues that these customers are supporting. As such, this study evaluates influence of customers who are categorized by product diversification, market diversification, brand name and business nature with the extent of company's online sustainability disclosure among the Malaysian public listed companies as each of this characteristic will be targeting different sets of customers. Besides that, the study also analyzes the practices among the Malaysian public listed companies in utilizing the potential of the website for sustainability reporting.

The outcome of the research then can be used by the Malaysian companies to better enhance and fine tune their online sustainability communication depending on their targeted customers in order to increase the overall benefits from such disclosure. This study also provides corporate management with a clear indication on the extent of sustainability information that seems to be the expectation or norm based on their business strategies, enabling them to respond accordingly to the demand of customers targeted by product diversification, market diversification, brand name and business nature. This study will not only make contributions to the Malaysian businesses but also for the academic world particularly in Malaysia by providing useful information on the extent of online sustainability disclosure among the Malaysia public listed companies besides analyzing the practices of these companies in utilizing the potential offered by websites for sustainability reporting.

Chapter 2   LITERATURE REVIEW

2.1   Introduction

This chapter will present the previous literatures that have been undertaken. As such, this chapter will give an overview of literatures on online sustainability reporting, product diversification, market diversification, product positioning and the nature of business. The theoretical framework and the hypothesis development will be presented towards the end of the chapter.

2.2   Theories

In this section five different types of theories are discussed namely Stakeholder Theory, Legitimacy Theory, Accountability Theory, Signaling Theory and Media Richness Theory.

2.2.1 Stakeholder Theory

The basic proposition of stakeholder theory is that the company's success is dependent upon the successful management of the relationships a company has with its stakeholders. The theory indicates that companies should be seen as having responsibilities to a wider groups of people instead of only focusing towards the shareholders (Brown & Fraser, 2006; Freeman, 1984). Other stakeholders are the employees, customers, suppliers, governments, NGOs, local communities and etc. With the stakeholders can be divided into smaller groups with different interests, it leads to conflict among the stakeholders and thus, companies need to prioritize the stakeholders due to their limited resources in fulfilling the needs of all the stakeholders. To begin with, companies need to distinguish between the primary and secondary stakeholders. The importance of stakeholders can then be further categorized in terms of their power to