

Information Needs for Accountability Reporting: Perspectives of Stakeholders of Malaysian Public Universities

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Abstract: The study aims at exploring the needs of a broad group of stakeholders of Malaysian public universities with respect to information items that should be disclosed in the university annual report, and their views on the disclosure importance of the items. This is a preliminary study towards the effort to develop an accountability reporting framework for Malaysian public universities. A questionnaire survey on the universities' stakeholders representing each stakeholder group which include policy makers, students, parents, employers, the public, university management and employees, suppliers and oversight entities was carried out in order to identify and confirm the stakeholders' disclosure needs. It is expected that the needs of the stakeholders in terms of information to be reported are comprehensive which include financial and non-financial information; and there are differences in the views on the disclosure importance of information among the stakeholder groups. The findings of this study provide a clear understanding of the information that should be disclosed in the annual reports of Malaysian public universities for accountability purpose. The findings may potentially assist the public universities to improve the way they discharge their public accountability through annual reporting.

Keywords: Accountability reporting; University stakeholders; Information needs

JEL Classification: M4

1. Introduction

The public sector around the world is under increasing pressure to be more productive and effective to achieve economic efficiency as well as to secure

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desired outcomes (Aucoin & Heintzman, 2000). In Malaysia, it has been made clear that the public is not only interested in the accountability for financial management of the public sector but also the accountability for its operational performance (Siddiquee, 2006). In the context of public universities and in line with the National Higher Education Strategic Plan 2020, Malaysian public universities are being promised greater autonomy, whereby, among others, the universities are given greater flexibility and freedom in their management of public financial resources. This greater autonomy means that the universities have to meet greater public accountability obligation, in which the universities are obliged or accountable to examine themselves and be examined by their stakeholders. The stakeholders have the right to be provided with sufficient and reliable information so that they can scrutinize on the accountability of the universities.

It has been recognized in the literature (e.g. Coy et al., 2001; Hooks et al., 2002; Ryan et al., 2002; Coy & Dixon, 2004) that the best possible medium to discharge public accountability obligation is through annual reporting. This is because it satisfies the needs of a wide range of stakeholders. The information needs of a broad group of stakeholders identified in this study will provide a clear understanding of the information to be disclosed in the annual reports of Malaysian public universities. The study findings could potentially assist the universities to improve the way they discharge their accountability to a wide range of stakeholders through reporting. The improvement is critical because public universities as essential components of national economic developmental strategy are facing an increased pressure to become more accountable, efficient and productive in utilizing public generated resources. The stakeholders' needs that are identified in this study can also be used as input in the development of a disclosure index which can then be applied to universities' annual reports to examine the information gap between the stakeholders' expectations and universities' reporting practices.

The findings can also be used as input for future research to develop and recommend the best practice framework of accountability reporting of Malaysian public universities. Moreover, they may also provide a basis and guidelines for regulators and legislators to review and improve current statutory provisions of annual reporting of Malaysian public sector entities in general, and public universities in particular. The paper proceeds as follows. The next section provides a review of literature. The method employed and research findings are then discussed. The paper ends with a summary, limitations and a suggestion for future research.

2. Insights from Literature

Higher education institutions such as public universities have to identify their stakeholders and their needs. Meeting their stakeholders' needs is an important

factor for the universities in determining their relational strategies (Dobni & Luffan, 2003). The stakeholder needs in our study are referred to as the needs for information to be disclosed in the university annual reports. In order to identify the needs, it is necessary to first identify who the university stakeholders are.

2.1. University Stakeholders

Stakeholders, according to Freeman (1984) are those individuals or groups who influence or are influenced by activities or actions of the organization and those with legitimate economic, social or political interest in the organization (Coy, Fisher & Gordon, 2001). In the context of tertiary education, Coy et al. (1997) identified 6 categories of university stakeholders within the public accountability framework. For each category, they suggested 19 groups of stakeholders of which 13 groups had been identified by Engstrom and Fountain (1989) within the decision usefulness framework. The 13 categories and groups of stakeholders are: internal campus-based citizens (senior managers, support staff, academicians, service recipients students), sister organization/competitors (employees of other tertiary education institutions), elected and appointed representatives (parliamentarians, institution council trustee board members, government and regulators, advisory committee members), resource providers (suppliers and lenders, donors and sponsors, investors and partners, professional associations), external citizens (voters and taxpayers, other pressure groups, non-student service recipients, advisers and consultants, alumni) and analyst and media (researchers, journalists, librarians).

In the current study, the internal campus-based citizens which comprised of senior managers, support staff, academicians, and students are considered as internal stakeholders. Meanwhile, those of sister organization/competitors, elected and appointed representatives, resource providers, external citizens and analyst and media are classified as external stakeholders. These two main groups of university stakeholders are the respondents involved in the questionnaire survey employed in determining the stakeholders' needs on the information that should be disclosed in university annual reports and the items disclosure importance.

2.2. Accountability Reporting and Stakeholder Needs

Within the public accountability approach to annual reporting, the importance of reporting comprehensive information had been recognized in the previous research (Coy et al., 2001; Hooks et al., 2002; Ryan et al., 2002; Coy & Dixon 2004; Tooley & Guthrie, 2007; Tooley et. al, 2010). Such reporting is a significant reaction to public demand for accountability as it allows a public sector entity to publicly disclose its actions and performance and be responsible for its actions (OECD, 2004); and is a tool to enhance both external and internal accountability (Lee, 2008). In addition, for accountability purposes, the information reported should meet the expectations of a broad stakeholder groups (Coy & Dixon, 2004; Hooks et

al., 2002; Tooley et al., 2010). As emphasized by the Office of Auditor General of New Zealand (OAG of New Zealand, 2002, p.5), “A framework for the external accountability reporting must take all elements of performance into consideration for potential reporting and report performance elements that stakeholders want to know”.

Prior studies have recognized the importance of annual reporting in supporting public accountability. However, the literature in relation to information needed for the purpose of accountability is limited (Boyne et al., 2002; Connolly & Hyndman, 2004). In the context of Malaysian public sector, Suhaiza and NurBarizah (2011) investigated the disclosure level of the annual reports of public universities. The twenty five accountability index information classified under four main categories (Overview, Service Performance, Financial Performance and Physical and Financial Condition) were compared to the actual reporting practices of Malaysian Public Universities. It was found that the level of disclosure of accountability information was lower than the level of disclosure for complying with the Government Treasury Circular. In their study, the level of disclosure of accountability information was determined based on the accountability index proposed by Coy et al. (1993), a study conducted in a developed country, New Zealand. As Lee (2008) affirmed that types of information required by stakeholders often varied from one context to another, it is necessary to identify the needs of stakeholders of Malaysian public universities.

A number of previous studies had been conducted to determine the information needs of users of public sector annual reports. In Daniels and Daniels’s (1991) study, four types of information based on users’ needs were identified. The information types are information on compliance, information about financial viability, including current financial position and the prospects of the future continuation of services and the repayment of debt, information on operating performance and information about cost efficiency and effectiveness. Hay and Antonio (1990) noted on the importance of specific and detailed information rather than general statements in order to promote greater accountability. Detailed information should be extended to narrative and non-financial information which includes descriptions of objectives of services provided, performance indicators, and budgeting information (Lapsley, 1992). In other words, information that may indicate the performance of the service provided and the performance of an organization as a whole is useful for accountability purposes (Boyne et. al., 2002).

In terms of disclosure of performance indicators, Clark (2003) found that users of government annual reports had identified outcome measures as the most important performance indicators. This is followed by effectiveness measures, output measures, staffing ratios, efficiency measures and workload measures. In addition to these indicators, Clark also found that descriptive review of operations, statistical performance information, the auditor-general report, financial statements,

notes to financial statements, and information regarding department secretary foreword are important items to be disclosed. Also, in the context of government annual reporting, Mack and Ryan (2004) discovered the users perceived that information such as summary facts, figures and key statistics, financial review and analysis, performance indicators and budget versus actual information as useful and should be disclosed for the purpose of discharging accountability to stakeholders.

Wisniewski and Stewart (2004) recognized a broad group of stakeholders in a study that focused on performance measurement information in a sample of Scottish local authorities. They found consistency in the type of performance measurement information required by each stakeholder group (elected representatives, service managers, client departments, direct customers, staff and auditors). The required information identified in the study included target performance (based on stakeholder expectations, past performance and national standards), actual performance (against targets and over time) and stakeholder perceptions (against their expectations). These findings emphasized on the need for information pertaining to current responsibilities and intentions to be publicly reported (Farneti & Bestsbreur, 2004) so that the stakeholders are able to be involved in informed debate over the public sector's organizational goals as well as in monitoring and evaluating of the achievement the goals.

Previous research also found that the different groups of stakeholders need different types of information. For example, the group of oversight and legislative bodies may require wider performance information including efficiency and probity. Financiers and creditors groups may focus on information relating to solvency. The group of managers may need information regarding structural measures of organizational characteristics as they have control over such factors, while the clients as well as customers prefer outcome measures because they want to assess the results (Kanter & Summers, 1987).

Tooley, Hooks and Norida (2010) identified the information set which the stakeholders of Malaysian local authorities considered to be relevant in monitoring and assessing the local authority's performance. The stakeholders indicated strong interest in performance information that is not traditionally disclosed in the financial statements: non-financial information particularly performance measurement of outputs, outcomes, efficiency and effectiveness. Disclosures in the Statement of Revenue and Expenditure and forward-looking information were generally regarded by the stakeholders as the most important disclosures. The results of the study also indicated differences amongst stakeholders relating to the level of importance that they placed on certain items especially items that are related to internal policies and governance and financial position of the local authorities.

To summarize, the prior studies on stakeholders or users' information requirements had agreed on the importance of the needs of users or stakeholders. Attention to stakeholders is important because the accomplishments of public organizations are dependent on satisfying what key stakeholders perceive as valuable (Bryson, 1995). Meeting the needs of a broad group of stakeholders is important for accountability purposes (Coy & Dixon, 2004; Hooks et al., 2002; OAG of New Zealand, 2002; Coy et al., 2001). The public university stakeholders, including the public, government and other stakeholders such as students and their families, employers and potential employers, the university management and employees have the right to be provided with sufficient and reliable information. This is because it allows them to debate and evaluate the accountability of the universities. As a public organization, a public university has a complex environment with many dimensions of accountability. This may lead to different types of information and disclosure requirements (Patton, 1992) from various groups of stakeholders, who have a social, economic and political interest (Coy & Dixon, 2004; Devas & Grant, 2003).

In the context of Malaysian public organizations, in particular public universities, questions that arise are on the needs of Malaysian public university stakeholders in terms of information that should be disclosed for accountability purposes; and do different stakeholder groups require different scope and nature of information disclosures. Thus, the objectives of this study are to (1) identify the stakeholders' perceptions of the importance of information items for disclosure in the university annual reports for the discharge of accountability and (2) examine whether or not there are significant differences in perceptions on the importance of information items for disclosure among the groups of stakeholders.

3. Method

The process of data collection began with the selection of potential items for disclosure. The selection was based on an extensive review of literature, annual reports of public universities of Malaysia and other countries as well as statutory requirements such as a circular issued by the Treasury of Malaysia i.e. the Treasury Circular No. 4/2007 – Guidelines for the Preparation and Presentation of Financial Statements and Annual Reports of Federal Statutory Bodies. The questionnaire which includes the potential items for disclosure selected in this process was developed. A questionnaire survey was then carried out to identify and confirm the needs of a broad group of stakeholders of Malaysian public universities with respect to information that should be disclosed in university annual report and their views on the disclosure importance of the items (Likert Scale: 0 = unimportant to 4 = extremely important).

In total, 600 questionnaires were distributed amongst the stakeholder categories - to

the internal stakeholders or campus-based citizen (university management, supporting staff, lecturers, students) and to the external stakeholders which comprises the groups of competitors (private university staff and students), elected and appointed representatives (the education executive council of state assembly, the Ministry of Higher Education management and advisory committee – the National Professor Council), resource providers (sponsors for student and lecturer scholarships or education loans, research grant providers and university suppliers), external citizens (general public, employer/potential employers, NGOs, university alumni) and media. The response summary according to the groups of stakeholders is shown in Table 1.

Table 1. Summary of Response

	Number Questionnaires Distributed	of	Number Questionnaires Received	of	Response Rate
Internal stakeholders					
University management	20		13		65%
University supporting staff	25		16		64%
Lecturers	50		45		90%
Students (postgraduate and undergraduate)	125		102		82%
External stakeholders					
Competitors	25		15		60%
Elected and appointed representatives	25		14		56%
Resource providers	20		12		60%
External citizens	300		238		79%
Media	10		7		70%
	380		286		
Total	600		462		77%

4. Findings

All items listed in the questionnaire were identified by stakeholders of Malaysian public universities as being significant in discharging of university accountability and should be disclosed in university annual reports. As summarized in Table 2, none of the total 78 information items rated below the level of 'quite important' and none of them were identified as being 'extremely important'. Thirteen items (17%) were rated as being 'very important' and majority of them (82%) were identified as being 'quite important'.

Table 2. Degree of Importance of Disclosure

Classification of Information Item	Frequency of Items (based on mean score)				
	4	3	2	1	0
Overview (12)	0	1	11	0	0
Financial Items (12)	0	3	9	0	0
Service – General (10)	0	0	10	0	0
Service – Teaching					
• Input (11)	0	2	9	0	0
• Process (8)	0	2	6	0	0
• Output and Outcome (11)	0	4	7	0	0
Service – Research (10)	0	0	10	0	0
Community Service and Industrial Network (4)	0	1	3	0	0
Total (78)	0	13	65	0	0

Note: 4 = Extremely important; 3 = Very important; 2 = Quite important; 1 = Minor important; 0 = Unimportant

The 13 items rated as being ‘very important’ cover the financial and non-financial information (refer Table 3). It is apparent that out of the 13 items, 9 of them (69%) are non-financial items and the rest are financial items. This shows that in particular, public university stakeholders have a high preference on non-financial teaching service items with two of the items receiving the top two scores; and the other 5 items receiving the fourth, seventh, tenth, eleventh and thirteen highest scores. In addition, the other non-financial items are related to overview and community service and industrial network items, namely auditor’s report and industrial network information, respectively. The four financial items which were identified as being very important by the stakeholders are financial performance statement, budget information, cost per student and financial position statement.

Table 3. Top Thirteen Score Items

Information Item	Category	Mean score (Max 4.00)
Qualifications of student intake	Service – Teaching	3.25
Processes to ensure quality of teaching	Service - Teaching	3.17
Auditors’ report	Overview	3.14
Number of graduates	Service - teaching	3.11
Industrial network	Community Service and Industrial network	3.10
Financial performance statement	Financial Items	3.08
Pass rate	Service - Teaching	3.04
Budget information	Financial Items	3.03
Cost per student	Service - Teaching	3.02
Fields of study	Service - Teaching	3.02

Destination or employment of students	Service - Teaching	3.02
Financial performance statement	Financial Items	3.01
Student satisfaction	Service - Teaching	3.01

Based on item category, as summarized in Table 4, items under the Overview category scored the highest importance mean (2.89) with Service in relation to teaching category; and the output and input indicators show the second highest aggregate mean score of 2.86. This is followed by the category of 'Financial items' with an overall mean value of 2.84. The rating of these items can be compared with items related to general service category which recorded the lowest aggregate mean score of 2.75. It is evident that, as a group, stakeholders perceived that the overview information of public university is more important and they were less concerned on university service information stated in general. However, in relation to university service, stakeholders emphasized more on teaching. University service in relation to research was rated the second highest aggregate mean score.

Table 4. Mean Scores of Disclosure Importance by Category of Items

Category	Means			Z-Score	P-Value
	All	Internal Stakeholder	External Stakeholder		
Overview	2.8883	2.8816	2.8924	-0.285	0.776
Financial Items	2.8436	2.8570	2.8354	-1.328	0.184
Service – General	2.7513	2.8767	2.6741	-2.602	0.009
Service – Teaching					
<i>Input</i>	2.8625	3.0532	2.7442	-4.790	0.000
<i>Process</i>	2.8328	2.9730	2.7465	-3.270	0.001
<i>Output and Outcome</i>	2.8636	2.9210	2.8284	-1.773	0.076
Service - Research	2.7857	2.9023	2.7137	-2.981	0.003
Community Service and Industrial Network	2.8160	2.9006	2.7640	-2.128	0.033

It is also clear in Table 4 that internal and external stakeholder groups indicated similar ranking on the relative importance of each category of informational item. They also had similar view on the level of importance for the items of Overview, Financial and Service relating to Output and Outcome measures. However, internal stakeholders rated the importance of items relating to General Service, Service in terms of teaching, service with regard to research as well as Community Service and Industrial Network more highly than the external stakeholders; and the difference of the views of both stakeholder groups for each of these categories is significant ($p < 0.05$).

If Table 4 summarizes the differences of mean scores between internal and external stakeholders according to category of items, Table 5 shows the differences of the mean scores for each individual item between internal and external stakeholders.

As shown in Table 5, and from the results of Mann Whitney U test, significant difference ($p < 0.05$) in mean scores had been identified for 28 items of all categories. Out of the 28 items, more than 90% (26 items) were perceived by internal stakeholders as being more important than external stakeholders. In contrast, the external stakeholders rated Financial Review within the Overview category as well as the information on student retention and completion rate as the output and outcome indicator, more highly than internal stakeholders. It could be considered that collectively, the internal stakeholders are more concerned on the importance of comprehensive information which covers both financial and non-financial information in discharging university accountability. Similarly, as a group, the external stakeholders were concerned with a broad range of information, including the review of the overall financial performance and condition of the public university and student performance. A significant difference in the views of the disclosure importance between internal and external stakeholders is apparent for almost all items within the categories of teaching service in relation to input and process; whereby the internal stakeholders perceived those items being more important to be disclosed in public university annual reports as compared to the external stakeholders.

Table 5. Items with a Statistically Significance Difference between the Mean Scores of Internal and External Stakeholder

	Internal Mean	External Mean	Z-Score	P-Value
Overview				
Vice Chancellor/Chairman Statement	2.79	2.85	-1.033	0.302
Auditors' Report	3.08	3.18	-1.521	0.128
University Background	3.03	2.93	-0.941	0.347
Statements of Objectives	3.05	2.96	-0.732	0.464
Descriptive report/general review	2.81	2.66	-1.715	0.086
Financial Review	2.83	3.07	-2.532	0.011
Key Facts and Figures	2.70	2.61	-0.785	0.432
Prospective information	2.74	2.83	-1.565	0.118
Accounting policies	2.87	2.88	-0.608	0.543
University governance	2.89	2.96	-1.012	0.312
Statement of managerial responsibility	3.01	2.96	-0.078	0.938
Directory information	2.77	2.84	-0.696	0.486
Financial Items				
Financial Performance Statement	3.01	3.13	-1.343	0.179
Statement of cash flows	2.89	2.93	-0.391	0.695
Financial position statement	2.89	3.08	-1.775	0.076

Notes to the accounts	2.67	2.60	-0.538	0.591
Statement of cost of service	2.91	2.76	-1.354	0.176
Budget information	3.05	3.02	-0.388	0.698
Financial ratios	2.81	2.62	-1.776	0.076
Analysis of financial performance	2.94	3.00	-0.025	0.980
Investments	2.82	2.87	-0.262	0.794
Total values of estate	2.65	2.47	-1.716	0.086
Commitment and contingencies	2.81	2.76	-0.524	0.600
Report on government assistance received	2.84	2.82	-0.311	0.756
Service: General				
Analysis of campus service	3.04	2.73	-3.219	0.001
Achievements vs. objectives and targets	3.01	2.84	-1.548	0.122
Comparisons of actual results over time	2.97	2.78	-1.476	0.140
The reasons why actual results differed from the projected or targeted results	2.95	2.78	-1.163	0.245
Information on the factors that influence results	2.80	2.65	-1.198	0.231
The indirect consequences of services provided	2.73	2.53	-1.918	0.055
Staff training and development	2.90	2.74	-1.363	0.173
Equal employment opportunity information	3.01	2.98	-0.156	0.876
Environmental related information	2.55	2.13	-3.684	0.000
Health and safety information	2.81	2.59	-1.676	0.094
Service: Teaching				
Input				
Number of student	3.14	2.84	-3.466	0.001
Number of Foreign Student	2.94	2.62	-3.160	0.002
Cost per student	3.13	2.95	-2.160	0.031
Tuition revenues	3.18	2.80	-3.904	0.000
Number of Staff	2.99	2.56	-4.582	0.000
Qualifications of student intake	3.35	3.18	-1.603	0.109
Building usage	2.95	2.54	-4.114	0.000
Financial aid received	3.12	2.85	-3.225	0.001
Average financial aid per student	3.06	2.78	-3.232	0.001
Student diversity	2.79	2.51	-2.590	0.010
Class size	2.94	2.54	-4.096	0.000
Process				
Student staff ratio	2.70	2.48	-1.997	0.046
Staff workload	2.69	2.46	-2.258	0.024
Processes to ensure quality of	3.15	3.18	-0.034	0.973

teaching				
Library service information	3.06	2.07	-3.141	0.002
Computer service information	3.02	2.85	-1.317	0.188
Fields of study	3.15	2.94	-2.619	0.009
Utilization of resources	2.98	2.76	-2.184	0.029
Availability of part-time /distance instruction	3.04	2.61	-4.560	0.000
Output and Outcome				
Number of graduates	3.28	3.00	-3.345	0.001
Destination or employment of students	3.05	3.00	-0.773	0.440
Departmental reviews	2.82	2.45	-3.593	0.000
Pass rate	3.16	2.97	-2.181	0.029
Student satisfaction	3.09	2.96	-1.029	0.303
Employer satisfaction	2.62	2.59	-0.128	0.898
Alumni satisfaction	2.65	2.47	-1.592	0.111
Employment rate	2.93	2.95	-0.162	0.872
Ratio of number of graduates over number of students enrolled	2.96	2.95	-0.372	0.710
Comparison between actual outputs/outcomes over targeted outputs/outcomes	2.84	2.84	-0.055	0.956
Student retention and completion rate	2.74	2.91	-2.030	0.042
Service - Research				
Number of research graduates	2.90	2.81	-1.382	0.167
Number of postgraduate students	2.95	2.80	-1.696	0.090
Type of grant received	2.85	2.65	-1.876	0.061
Amount of research grants received	2.94	2.56	-3.626	0.000
Analysis of research grant per department/faculty/subject group	2.85	2.67	-1.850	0.064
Number of publications	2.89	2.58	-2.779	0.005
Publications by departmental/faculty/subject group	2.86	2.56	-2.837	0.005
Patents/inventions/consultations	2.82	2.75	-1.560	0.119
Destinations or employment of research graduates	2.98	2.85	-1.921	0.055
Recognition and award	2.98	2.94	-0.716	0.474
Community Service and Industrial Network				
Local community service	2.69	2.62	-1.014	0.311
National community service	2.82	2.66	-1.736	0.083
International community service	2.94	2.72	-2.577	0.010
Industrial network	3.16	3.07	-1.707	0.088

5. Conclusion

Using the context of Malaysian Public Universities, the study finds that for accountability purpose, annual reports should provide comprehensive information which includes both financial and non-financial information. While the study results indicate that information within the categories of overview and teaching service is important, stakeholders also showed strong interest in financial items. This supports prior studies' findings in which financial statements information is useful (Connolly & Hyndman, 2004) besides the performance information located outside financial statements (Clark, 2003, Tooley, et.al, 2010), particularly the output and outcome measures (Clark 2003) and operating results (Jones et al. 1985).

This study shows that internal and external stakeholders differ significantly in their views on the disclosure importance at 5 out of 8 information categories (63%) of service in general, teaching service in relation to input and process measures, research service as well as community service and industrial network. These findings are consistent with prior studies (Jones et al. 1985; Hay & Antonio, 1990; Tooley et al. 2010) that identify in the differences in information requirement amongst different group of stakeholders. The findings also support Patton (1992) who stated that a complex public sector environment with many dimensions of accountability, may lead to different types of information and disclosure needs. This suggests that if various groups of stakeholders' information needs are to be met for accountability purposes, a broad range of information should be reported. In this regard, future research may examine gaps between the stakeholders' information needs and the actual reporting of information in public university annual reports. In this study, the information needs of university stakeholders are categorized into internal and external stakeholders; thus, future studies may analyze in greater detail on the differences between the stakeholder groups within the categories of internal and external stakeholders.

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