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**MOTIVATIONS FOR CORPORATE SOCIAL REPORTING
AND NON-REPORTING IN MALAYSIA:
AN EXPLORATORY STUDY FROM
A PUBLIC RELATIONS PERSPECTIVE**

A thesis
submitted in partial fulfilment
of the requirement for the degree

of

Doctor of Philosophy in Management Communication

at

The University of Waikato

by

TEE KENG KOK

The University of Waikato
2008

ABSTRACT

Corporate social reporting, embracing the triple bottom line reporting concept, entails the reporting of economic, social and environmental performance as opposed to the more narrow focus on conventional financial reporting. Many corporations are now engaging in environmental and social reporting in an effort to communicate the social and environmental effects of organisations' operations to particular interest groups within society.

The main objective of this thesis is to examine corporate motivations and hesitations to undertake social reporting in Malaysia. Most studies have so far applied quantitative method on themes identification to determine rationales for corporate social reporting. Little attention has been given to in-depth primary and secondary data to understand rationales for corporate social reporting in a national context. In addition to motivation, this study fills the gap in the literature by investigating corporate reluctance for social reporting.

A qualitative approach was adopted for this study. A mixed method of data collection, consisting of both semi-structured interviews and corporate social reports, was used. A total of 20 interviews were conducted with representatives of six reporting and six non-reporting corporations, and eight non-corporate respondents representing the Malaysian political and social sectors. In addition to primary data, corporate social information in annual reports and corporate websites of six reporting corporations was also collected to support the interviews. Thematic analysis was applied to identify salient themes to explain both corporate motivation and hesitation for social reporting. The analysis was divided into two levels: corporation and society.

At the corporate level, results identify public relations as the central motivation for social reporting. More specifically, the concepts of image and identity, issues management, two-way symmetrical and asymmetrical communication, auto-communication, and publicity are used to explain the adoption of social reporting. Image and identity and issues management were also among the concepts applied to explain corporate *hesitation* for social reporting. However, the results also support stockholder theory and reveal the lack of public relations understanding to be the cause of the low acceptance of social reporting. In-depth analysis revealed *organisational legitimacy* as the main reason to explain both motivation and hesitation for social reporting.

Corporations require stakeholder support for their continual existence. At the societal level analysis, the concept of political economy was applied to explain the limited social reporting practice in the Malaysian context. Finally, the implications for both practising as well as neglecting social reporting are discussed using the concept of the risk society.

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PART I:

INTRODUCTORY CHAPTERS

CHAPTER 1

INTRODUCTION

Democracy postulates freedom of choice. “The individual is thus free to be rich, free to starve, free to be politically active or inactive” (Gray, 1996, p.16). However, choices are guided by the presence of information. From a corporation’s perspective, society’s support depends on the types of information available to the public and one source of important information is corporate social reports. Corporate social reports display corporate response to public pressure to be socially responsible. As corporate social reporting was voluntary in Malaysia, corporations are free to adopt or not social reporting as a corporate communicating strategy for gaining societal support. This thesis investigates the rationale of this decision in the Malaysian context. This introductory chapter explains the background and evolution of corporate social reporting followed by the research questions pertaining to the study. The chapter then elaborates on the significance of the study and the ending outlines how the thesis is structured.

1.1 BACKGROUND

This section lays out the background where the process of modernisation leads corporations to be more responsive toward societal pressure. The topic of discussion is more apparent as many nations strive for modernisation. According to Moore (1974), modernisation is a “‘total’ transformation of a traditional or pre-modern society into the types of technology and associated social organization that characterize the ‘advanced’, economically prosperous, relatively politically stable nations of the Western World” (p. 94). The modus operandi towards modernisation may vary but the most common and conventional approach is of “economic development” (Moore, 1974). As a result, the main concerns are best economic choices and maximum production efficiencies to generate maximum profits and economic growth. As such, liberal economics and democracy are the currently

dominating and influencing economic and political systems in the modern world (Gray, Owen, & Adams, 1996) that support the quest for economic development.

Ideally, democracy works for the public because in this system, people make decisions for themselves either by themselves or through their representatives. The process of democracy can be accomplished by an election governed by law whereby the people choose whom they want to represent them. Democracy postulates freedom of choice. According to Gray (1996, p. 16), “The individual is thus free to be rich, free to starve, free to be politically active or inactive.” Given the choice, society would choose to be better off. Therefore, the interest of the nation should reflect the interest of the people. Ideally, if a nation strives for modernisation, a financially sound economy would make everyone within the society better off. When pursuing economic development is of priority, every action of the nation is geared towards that and the yard stick for economic development is portrayed in the nation’s cash flow, profit and gross national product (GNP). As accumulation of profit is much desired, the government, acting on behalf of the society, continues to support the ambitions of the economy.

An engine for economic change is industrialisation (Gray et al., 1996; Moore, 1974). According to Moore (1974), industrialisation means “the extensive use of inanimate sources of power for economic production...” (p. 96). With industrialisation, nations are generally able to produce more efficiently, thus increasing productivity. However, according to Beck’s (1992) concept of risk society, there are side effects of industrialisation. Risk is manufactured while society progresses in the name of industrialisation. This phenomenon is manifested in the news daily. The existence of good news as well as bad news is almost in equal proportion (Gray et al., 1996). As we hear of great technological, medical and scientific breakthroughs; increasing life expectancy, rising standards of living and working conditions, rising gross national product and profits, at the same time we hear of rampant and extensive environmental catastrophes, new and more chronic illnesses, industrial frauds and disputes, greater famine, unemployment and employee exploitation, etc. Although ‘good’ and ‘bad’

news may appear to be isolated, they are to a large extent, according to Gray et al. (1996), closely related. The good news items are almost always accompanied by the bad news. In essence, 'bad news' is the price that society pays for 'good news' (Gray et al., 1996).

As the quest for economic development is of major importance towards modernisation, businesses have flourished. However, according to neoclassical economic theory, the primary duty of business is to perform in the interests of its owners, its shareholders (otherwise known as stockholders) (Cochran, 1994). The rationale behind this theory is that stockholders contribute the corporation's capital and, therefore, have a big stake in the performance of their company (Cochran, 1994; Lawrence & Weber, 2008). According to this theory, the only duty the firm has to external others are financial (Brenner & Cochran, 1991 in Key, 1999) because economic theory supports the idea that profit maximisation should benefit the society as a whole (Hosmer, 1991).

However, there has been a shift of society's expectations. Society's expectations are becoming more complicated as a result of improved social conditions and rising standards of living (Purushothaman, Tower, Hancock, & Taplin, 2000; Tsang, 1998), with companies being urged to become more accountable to a wider audience than shareholders alone (Hackston & Milne, 1996; Ullman, 1985). Social changes require adjustments of conventional financial reporting as the role of shareholders has become slightly less important (Laubscher & Shuttleworth, 2004) relative to a wider set of stakeholders. Therefore, it is difficult to sustain the purely financial obligations propounded by neoclassic economic theory.

As a result of these changes, various communities are placing tremendous pressure on companies to exhibit their accountability to society (Low, Koh, & Yeo, 1985; Mathews, 1997; Purushothaman et al., 2000). At the corporate level, this development has also seen a widespread demand for corporations to be more socially and environmentally responsible. Consequently, corporations are encouraged to adopt

the concepts of corporate social responsibility, sustainability and triple bottom line reporting. Corporate social responsibility, according to Carroll (1999), is the “social consciousness” (p. 270) of businesspeople. This means that “businesspeople [are] responsible for their actions in a sphere somewhat wider than that covered by their profit-and-loss statements...” (p. 270). The accomplishment of corporations adhering to corporate social responsibilities are recorded in reports that are known as sustainability reports, social reports, triple bottom line reports, etc. All these reports propagate the reporting of economic, social and environmental performance in addition to conventional financial reporting (Elkington, 1997, 1999). The growth in awareness of these concepts has resulted in many criticisms of profit as an all-inclusive measure for corporate performance (Hackston & Milne, 1996). This thesis focuses on corporate social responsibility reporting which encompasses reporting on corporate social and environmental performance.

1.2 EVOLUTION OF CORPORATE SOCIAL REPORTING

Corporate social reporting is “the process of communicating the social and environmental effects of organizations’ economic action to particular interest groups within society and to society at large” (Gray, Owen, & Moulders, 1988, p. ix). While Perks (1993) defines corporate social reporting more generally in terms of quantifiable or non-quantifiable monetary cost or benefits of business activities that affect stakeholders substantially, Guthrie and Matthews (1985) define corporate social reporting as the provision of financial and non-financial information relating to an organisation’s interaction with its physical and social environment. Regardless of variations of definition, corporate social reports demonstrate corporations’ social achievements and their business impacts on society while pursuing organisational goals. Monks and Minow (1995) refer to ‘impact’ as the extent to which business activities are affecting the natural environment, employee, consumer, local community and others. In this respect, corporate social reporting plays a central role in disseminating information needed by society. The scope of social reporting is vast. From firstly reporting mainly on natural environmental and employee impacts, social

reporting now encompasses the community, human rights and ethical issues that concern the community interests (Antal, Dierkes, MacMillan, & Marz, 2002). Therefore, different terminologies exist to refer to the same reporting activities. Corporate social reporting is used interchangeably with corporate social disclosure, corporate social responsibility reporting/ disclosure, triple bottom line reporting, and of late, corporate sustainability reporting (Douglas, Doris, & Johnson, 2004).

Corporate social reporting has been traced back to the 1880s (Guthrie & Parker, 1990; Neu, Warsame, & Pedwell, 1998) – and more recently to the people's movements in the United States of America (USA) of the late 1950s and early 1960s which have spawned a corresponding interest on the part of researchers in corporate social reporting. The implication of social reporting is for companies to be accountable to their social responsibility commitment as well as their social impact on society.

Many different social reporting concepts were developed in the late 1960s and early 70s under the heading of 'corporate social accounting' and 'corporate social audit'. It began in the USA and the United Kingdom (UK) and subsequently in Germany and other Western European countries (social reports are also known as 'le bilan social' in France and 'bilancio sociale di impresa' in Italy) (Antal et al., 2002, p. 23).

Associated closely to accounting, social reports were initially developed from the accounting realm. The initial completely quantifiable societal impact accounting was intended to systematically and regularly collect and document publicly discussed socially relevant information about business activities. In addition, these reports expand the detail and scope of the conventional accounting reports that serve only shareholders and management based on business profits. In other words, the idea is to reveal how and to what extent a company perceives and fulfil its responsibilities to society. Although from the accounting realm, the development of social reporting has through time evolved to be an independent report.

Antal et al. (2002) classify the development of corporate social reporting into four stages: the late 1950s to the late 1960s, the late 1960s to the mid-1980s, the mid-1980s to the late 1990s, and the late 1990s to the present. The quest for social accounting in the late 1950s through 1960s started in the USA (Preston, Rey, & Dierkes, 1978) with a few pertinent incidents. Firstly, during that time, the public's faith in governmental intervention on social issues declined as government was not able to provide quick and responsive solutions to improve social problems. Secondly, the existence of social indicators to complement traditional reports has encouraged financial reports to branch out. Thirdly, the presence of social pressure for companies to incorporate social impact in their business decisions is demonstrated in social reports. Lastly, the emergence of a generation of managers receptive to ideas, concepts and approaches of social responsibility has also provided an incubator for social reporting practices (Dierkes & Bauer, 1973).

Social reporting spread into mainstream thinking in the late 1960s to the mid-1980s. Mathews (1997) regards the 1970s as a remarkable period for the development of social reporting. At the same time, however, researchers advocating this non-conventional reporting were criticised as being radical and critical because they explicitly or implicitly criticised the prominent structure of the historical financial accounting reports for shareholders and creditors (Mathews, 1997). Regardless of the accusation, social accounting emerged as the fashion statement in the business and socio-political arena. At the same time, corporate social reporting as a field of study attracted considerable and widespread attention (Gray, 2000). Substantive work on preparation, dissemination and development of social accounting was carried out during this period (Dierkes, 1979). Definitional and dimensional studies have dominated the research arena. Among prominent studies on social reporting dimensions are Ernst and Ernst (1978), Davis and Blomstrom (1975), Committee for Economic Development (1971) and United Nation Economic and Social Council (1977 in Park & Abdeen, 1994). It is also this period of time where the social reporting concept was adopted in Europe with Germany heading the pack followed by other Western European countries. The motivation to report was due to public

pressure as well as recognition of the process and publishing reports as a management and communication tool (Dierkes & Antal, 1985).

In the mid-1980s, the question whether to legislate social reporting was raised to encourage organisational participation (Dierkes & Antal, 1985). However, the mandatory recommendation was limited to the process rather than an extensive list of reporting indicators. During that period, only France managed to legislate social reporting in 1977 covering only employee issues (Chevalier, 1976, in Antal et al., 2002).

The progress of social reporting went on a downhill trend after the mid-1980s as experiments were stagnant and even regressing. This phenomenon was attributed to a few events that occurred at that time. Prominently established groups including the unions in Germany resisted social reporting as they felt their role and prominence threatened as public acceptance and recognition of social reporting grew (Hoffman, 2001 in Antal et al., 2002). Furthermore, the collapse of the former socialist republic of the Soviet Union that paved way for neo-liberal economic policies along with globalisation strategies created an ideological climate that was in favour of economic development as opposed to the social responsibility regime. The poor performance of the USA as well as the UK companies during this period urged shareholders to pay more attention to corporate governance issues. The shift of attention to new corporate governance issues and increasing shareholder value was taking precedence over stakeholder interest.

However, during the late period of 1990s, social reporting concepts were slowly progressing into the business practice despite resistance. According to Deegan (2002), this progress is due to increasing concern with stakeholders, growing anxiety about business ethics and corporate social responsibility, increasing importance of ethical investments and the need for a new social accounting method for organisations and their stakeholders to address such matters. It is also during this period that a generation of socially responsible investors (SRI) emerge that

encouraged the reporting of social performance (Friedman & Miles, 2001). The neo-liberal economic model that continues to pervade mostly modern democracies has not been able to address many socially concerns besides maximising shareholder values. The failure of this economic model to address certain social issues has prompted stakeholders to pressurise corporations to exhibit social responsible behaviour. The Internet has enabled more rapid usage and easy access to information. Stakeholders are able to track down corporate behaviour released on the web. Realising the potential of this interactive tool to communicate with stakeholders, many businesses are moderately shifting their social reports from hard printed copy reporting to Portable Document Format (PDF) and increasingly HyperText Markup Language (HTML) format (ACCA, 2004b).

There are generally three significant stages of development for social reporting during the late 1990s to early 2000 (Antal et al., 2002). Firstly, there is a growth in international organisations propagating social behaviour and reporting. Initiatives have been launched to encourage socially responsible behaviour as well as reporting. They are the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines in 1997, the Global Compact in 1999 and the Green Paper present by the European Commission in 2001. Secondly, the introduction of the 'triple bottom line' reporting concept by Elkington in 1997 encompasses the social, environmental and economic bottom lines (Elkington, 1997, 2001). Lastly, the complementary recognition of institutional fund managers of the risk associated with irresponsible corporate behaviour has introduced new guidelines for SRI (Friedman & Miles, 2001).

In the middle of 2000, the numbers of companies publishing social reports continues to escalate. In 2005, 52% of Fortune 250 companies published an annual social report as compared to 45% in 2002 (KPMG, 2005). In addition, by 2007, the number of companies on FTSE 100 producing voluntary triple bottom line reporting reached 95%. Besides, a single type of social report, the second South African King Report on Corporate Governance, succeeded in integrating corporate governance, ethics

management and triple-bottom line reporting in a report known as “Integrated Sustainability” (Painter-Morland, 2006).

Besides these stages, the academic world has also played a significant part in the development of social reporting. A number of universities (although the number is still relatively low) are offering courses on social and environmental accounting. These are supported by accounting theories that dedicate chapters to social and environmental accounting (see, for example, Deegan, 2000; Mathews & Perera, 1996). Besides accounting, courses like corporate social policies, which introduces corporate social responsibility, are gaining significance in Malaysian universities. The number of PhD students embarking on social accounting and reporting research area has also increased. Although some studies are not specifically about social reporting, it is a huge leap from conventional financial accounting practice.

From the discussion above, a study in Malaysia is timely as there have been many international initiatives advocating this concept globally. It is important that the Malaysian businesses and government agencies supporting business efforts understand this phenomenon in Malaysia if businesses are to remain competitive in the international arena. This leads to the discussion of the research interests of this thesis which are outlined in the next section.

1.3 RESEARCH QUESTIONS

There is a gap in the literature on corporate social reporting in respect to the communication perspective. Past and present research has been concentrated in the area of accounting and strategic management. In the Malaysian context, the lack of literature on social reporting is even more apparent. This thesis aims at investigating corporate social reporting in relation to the Malaysian context.

The primary focus of this study is the organisation’s rationale for corporate social reporting in Malaysia. The low level of corporate social reporting practice in

Malaysia provides this thesis with a significant purpose. Why are companies slow to adopt social reporting in Malaysia? At the same time, there are traces of Malaysian corporations engaged in social reporting. This thesis also poses the question of why these companies decide to report socially. Specifically, it attempts to provide understandings to the following research questions:

1. What are the rationales for Malaysian companies either engaging or not engaging in social reporting?

This question examines corporations' underlying rationale for engaging and not engaging in social reporting effort. This question illuminates the motivational factors and hindrances for social reporting for companies operating in Malaysia.

2. How does national context affect corporate social reporting in Malaysia?

This question aims at unveiling relevant influential factors pertinent to the development of corporate social reporting in Malaysia. The environmental factors are investigated for a wider scope of perspectives as businesses operate in a holistic context.

1.4 SIGNIFICANCE OF THE STUDY

This research makes significant contributions to corporate social reporting literature. This part of the chapter explains the rationale for embarking on social reporting research. It then elaborates on the reasons for the communication perspective and for concentrating the research on the national context, Malaysia.

1.4.1 Why Corporate Social Reporting?

Organisations are recognising the importance of reporting socially towards their business operations. There seems to be an increased trend of companies adopting

social reporting across the globe (Bruce, 2007; Cooper & Owen, 2007; Hess & Dunfee, 2007; Gibson & O'Donovan, 2007; Kaptein, 2007). Since the inception of the 2002 Sustainability Reporting Guidelines in 31 August 2002 at the World Summit on Sustainable Development in Johannesburg, 200 organisations adopted this reporting guideline as of the beginning of 2003 (GRI, 2004). A year after that, the number rose to 380 organisations. As of September 2007, there were more than 1000 companies worldwide self-declare their use of the GRI Guidelines (Hill, 2007). The importance of social reporting is recognised when certain countries like the UK passed a bill requiring mandatory reporting on business, social and environmental performance. Consequently, this research is set out to investigate the rationale for corporate social reporting.

1.4.2 Why the Communication Perspective?

As corporate social reporting is used to disseminate information from organisation to society, it functions as a communication tool. The conventional accounting perspectives of corporate social reporting studies provide the quantification of disclosure and theme determination which may contribute to the understanding of general reporting trends. However, much accounting research on social reporting has branched out to provide more insightful discoveries including the motivational aspects of reporting (see Adams, 2002; Wilmshurst & Frost, 1999). Although the accounting perspective is able to provide us with the drivers for social disclosure, it is but one of the two generally broad social reporting research approaches (Gray, Kouhy, & Lavers, 1995). The second broad general approach to social reporting research which examines the role of information between organisation and society is adopted in this study. According to Gray et al. (1995), this second approach is viewed as a source of major advances in the understanding of corporate social reporting.

The role of information dissemination encapsulated by the organisational and public relations communication perspective provides more insightful understanding of the motives underlying corporate social reporting practices as one of the avenues

corporations sought to maintain legitimacy (Dowling & Pfeffer, 1975). While the quantification of disclosure and theme determination of corporate social reporting may contribute to understandings of corporate social reporting in terms of general reporting trends and practices, communication and organisational perspectives can provide other insightful understanding of the pressures underlying corporate social reporting practices – or importantly, the lack thereof.

This thesis aims at providing fresh understandings of the communication perspective of corporate social reporting literature. No attempts to date have been made to examine corporate social reporting in Malaysia from the public relations perspective of issues management. Comparative studies across different national contexts have found that the practice of social disclosure is dependent on particular national influences (Adams, Hill, & Roberts, 1998; Andrew, Gul, Guthrie, & Teoh, 1989; Guthrie & Parker, 1990; Roberts, 1991; Teoh & Thong, 1984; Williams & Ho, 1999).

1.4.3 Why Malaysia?

Previous studies on corporate social reporting have generally concentrated in the major first world economies, especially in Australia, Canada, the European Union, New Zealand and the USA (Campbell, 2000, Gray et al., 1995; Guthrie & Parker, 1990; Purushothaman et al.; 2000, Tsang, 1998). In contrast, there is a shortage of research into corporate social reporting in the Southeast Asian region. In the pilot test conducted by the Global Reporting Initiative (GRI) in 1999, only three companies were from Asia and none from the Southeast. The rest were mostly companies from America and Europe (1999). Apart from that, previous corporate social reporting studies conducted in the Southeast Asia have been mainly in Singapore (see, for example, Andrew et al., 1989; Foo & Tan, 1988; Low et al.; 1985; Purushothaman et al., 2000; Tsang, 1998). Of those studies of corporate social reporting in Malaysia (see, for example, Andrew et al., 1989; Foo & Tan, 1988; Hossain, Tan, & Adam, 1994; Kin, 1990; Tan, Kidam, & Cheong, 1990; Teoh & Thong, 1984; Williams & Ho, 1999) , there seem to be only a few up-to-date perspectives on this business

practice (see Abdul Hamid, 2004; Nik Ahmad & Sulaiman, 2004; Thompson & Zakaria, 2004). Although social reporting level is low in the region (ACCA, 2004b), which might contribute to the low level of research in the region, research should be conducted to explore reasons for the low acceptance level. Therefore, this study fills in the lack of understanding and research on corporate social reporting literature in the region and in Malaysia specifically.

Although the acceptance level of corporate social reporting practice remains low in Malaysia, there seems to be an increasing awareness of this concept (ACCA, 2004a, 2004b). As the percentage of companies listed on Bursa Malaysia (formerly the Kuala Lumpur Stock Exchange) embarking on environmental reporting increased from 7.7% to 10% from 1999 to 2003, the percentage of companies involved in social reporting increased as well from 5% to 8% from 2002 to 2003 (ACCA, 2004a). Furthermore, ACCA Malaysia introduced a Malaysian reporting guideline in 2005. Beyond these statistics, the Prime Minister in his 2007 budget speech announced that corporate social reporting would become mandatory for all publicly listed companies (PLCs) in Malaysia (Bursa Malaysia, 2007). The incremental number of companies embracing corporate social reporting and the mandatory requirement for corporate social reporting in Malaysia signifies the importance to understanding this phenomenon which is the focus of this thesis.

1.4.4 Why the National Context?

While attempts have been made to explain the motivation behind corporate social reporting behaviour through organisational legitimacy theory and stakeholder theory (Adams et al., 1998; Gray et al., 1995; Guthrie & Parker, 1990; Hooghiemstra, 2000; Neu et al., 1998; Patten, 1991; Patten, 1992), they have not been able to explain national differences in corporate social reporting. According to Belal (2001, p.286), “any analysis of social disclosure would be incomplete if it fails to capture the socio-political and economic context in which the disclosures are made. Most studies do not attempt (except Perera & Mathews, 1990) to examine how national factors impact on

the motivation and hindrances of corporate social reporting (Adams et al., 1998; Guthrie & Parker, 1990; Williams & Ho, 1999). Although some studies acknowledge the difference in corporate social reporting across countries (see Adams, 2002), little research has attempted to explain the differences from a socio-political and economic perspective. Belal (2001) attempted to relate socio-political and economic context to corporate social reporting, but the study merely explore the quantity and nature of social reporting in Bangladesh. Although corporate social reporting is a mandatory requirement in Malaysia from 2007, this study was conducted when it was still voluntary. Furthermore, Bursa Malaysia is introducing a corporate social responsibility framework and not a corporate social reporting framework. The introduced framework is basically a set of guidelines to help Malaysian PLCs practice CSR (Bursa Malaysia, 2007). Following that requirement, Malaysian PLCs are obligated to report their CSR activities. However, Malaysian PLCs still have the freedom to interpret the guidelines as they see fit. Therefore, this study remains valid as it fills the gap of corporate social reporting motivation and hindrances in Malaysia. As there are limited studies conducted from this perspective, this thesis aims to make a contribution to corporate social reporting literature in a particular political, economic and social context and from a communication perspective.

1.5 THE STRUCTURE OF THE THESIS

The thesis is divided into three parts: Part 1, introductory chapters; Part 2, the methodology chapter; and Part 3, findings, discussion and conclusion chapters. Part 1 consists of the thesis introduction, the theoretical framework and the Malaysian context, the location of the study. These chapters provide the reader with the overall background information of the topic under study. Part 1 discusses the research questions and significance, the theoretical framework underpinning the study, and the Malaysian socio-economic and political environment.

Part 2, the methodology, consists of a single chapter which is divided into two parts. The first segment of the chapter addresses the research philosophy, approach and paradigm. The second segment attends to the field study.

Part 3, the findings and discussion, and conclusion chapters bring forth the contributions and implications to the field study. This part consists of three chapters. They describe and discuss the results of the research and the implications of the findings in the Malaysian setting. In the last chapter, avenues for future research are also addressed.

A brief outline of the individual chapters is as follows:

Chapter 1: Introduction

The introduction chapter defines and highlights the history and evolution of corporate social reporting. The research questions were carefully formulated to guide the study. This chapter also presents the importance of the research to the reader.

Chapter 2: Theoretical Framework

This chapter explains the theoretical framework within which this research was conducted. This chapter explains the theoretical framework within which this research was conducted. The initial framework was developed from the literature and later modified as data analysis revealed further relevant theoretical approaches. It is divided into two levels: macro and organisational. It is divided into two levels: macro and organisational. The first part of the chapter discusses the application of the theories at the macro level. The theories applied are political economy and risk society. Political economy describes the political influences on the economic decisions of the nation. The concept of the risk society explains the current risk that society is exposed to in the pursuit of political decisions in the name of economic development. The second part of the chapter incorporates the concepts used to provide explanation of corporate social reporting at the organisational level. They are

public relations related concepts: organisational legitimacy, issues management, image and identity, and auto-communication.

Chapter 3: The Malaysian Socio-Political and Economy Context

The third chapter familiarises the reader with the Malaysian political, social, and economic context. The chapter begins with a brief history of Malaysia. It then introduces the various political, economic, and social policies relevant during the research period. This chapter provides a context for the reader with regard to corporate social reporting.

Chapter 4: Methodology

The methodology chapter is divided into two main sections. The first spells out the philosophical position, research paradigm, and stance of the thesis. The thesis takes the position of social construction of reality, the interpretive paradigm and the qualitative stance in conducting the research. The second main section of the chapter discusses the techniques used to gather and analyse data. Primary data was gathered from face-to-face interviews and was supplemented by secondary corporate information –such as that found in corporate reports. Thematic analysis was utilised to interpret them.

Chapter 5: Findings and Discussion: Reporting Companies

This chapter presents the results of the analysed data. The focus of this chapter is to unveil the rationale of companies engaging in corporate social reporting activities. The chapter is divided to two sections. The first section discusses six companies' social reporting rationales as related by executives. Their perceptions are related to these respective PR concepts: (1) issues management, (2) auto-communication, (3) image and identity. The second section discusses the effects of corporate social reporting on society. It is here that the concepts of the risk society and political economy in the Malaysian context are adopted in the discussion.

Chapter 6: Findings and Discussion: Non-reporting Companies

The second part of the results identifies the rationale for companies not adopting corporate social reporting. Another six companies' executives' opinions were analysed. This chapter is also divided to two sections. The first section presents organisational level concepts for not engaging in corporate social reporting. Their reasons are related to these concepts: (1) public relations, (2) issues management, (3) and image and identity. The second part of the chapter discusses the reasons organisations do not adopt corporate social reporting and relates this response to the national context. In this section, the concepts of political economy and the risk society are also adopted to explain organisational reluctance towards corporate social reporting and risk implication on society.

Chapter 7: Conclusion

This chapter summarises the findings and discussion chapters presented earlier. Contributions to literature are also highlighted. The chapter proceeds to discuss the implications of the research findings. Suggestions for future research opportunities are subsequently indicated.

CHAPTER 2

THEORETICAL FRAMEWORK

“Public relations practitioners need not only to understand communication processes but the social and organizational context in which communication takes place (E’Tang, 2008, p. 18).”

The objective of this chapter is to discuss the theoretical concepts that constitute the frame of reference for this thesis. The focus of the discussion is on corporate rationale regarding whether or not to engage in corporate social reporting. A framework is constructed in this section by bringing together public relations and current social reporting theories.

In order to explain corporate social reporting, the theoretical framework in this thesis is divided into two levels: societal and organisational. An explanation of social relationships that determines the socio-economic and political environment is discussed at the societal level where business operates. The overarching theories framing this study at the societal level are those of the political economy (Gray et al., 1996), followed by the risk society championed by Ulrich Beck (1992; 1996; 1999; 2000; 2004; 1994). On one hand, theory of the political economy provides an explanation of the effects of politics and economy on the corporate social reporting environment in Malaysia. On the other hand, risk society theory offers an account of corporate social reporting on “modern” risk. Together, these two theories help in understanding the context of the social reporting environment and the consequences of decisions of whether or not to engage in corporate social reporting.

At the organisational level, the section begins with a discussion of the concept of public relations followed by public relations’ motivations for social reporting: organisational legitimacy and stakeholder engagement. The discussion continues with specific public relations concepts explaining organisations’ social reporting modus

operandi to remain legitimate. They consist of issues management, internal and external communication, and image and identity.

2.1 SOCIETAL LEVEL: THE CONCEPT OF POLITICAL ECONOMY

Political economy refers to the social, political and economic framework within which business activities are produced (Gray et al., 1996). The political economy perspective is adopted in this thesis as the overarching theoretical framework to explain corporate social reporting vis-a-vis the organisational environment. Bealey (1999) and Collins (2000) claim that this perspective focuses on structural relationships where economic and reporting decisions are based on socially-related arguments. A political economy perspective allows research to be explicitly normative, descriptive, interpretive and critical. As such, the concept of political economy offers an interpretive-critical approach towards understanding the implicit motivations of social reporting from the political as well as social angle (Guthrie & Parker, 1990). This approach acknowledges the existence of various stakeholders as opposed to the sole responsibility of businesses as agents to their shareholders.

Basically, economic activities do not function in a vacuum. Political economy concerns the functioning of the market and political process and the interaction between the two that eventually has an impact on society (Meltzer, Cukierman, & Richard, 1991). In the words of Leontyev (1974), political economy “deals with the laws governing the production and distribution of the material means of subsistence in human society at various stages of development...it is one of the social sciences which investigates the laws governing the development of various spheres of human activity” (p. 7).

Political economy is one of the two main streams of economic thought, alongside the neo-classical marginalist economics. According to Tinker (1980, pp. 147-148),

the neo-classical marginalist economics explanation concentrates on what are called the forces of production...They include the technological aspects of the input and output quantities and their transformation of coefficients. In contrast, political economy relies on the social relations of production: an analysis of the division of power between interest groups in a society and institutional processes through which interests may be advanced.

As economics focuses on price and production, political economy focuses on social relations that make up the economy. Accordingly, social relations represented by various social institutions (for example, legal, state, educational, religious, law and order, political, government administration) provide the ground rules for an economic order. They ensure that rights and obligations be pursued and enforced. Different social relations are formed by different kinds of economic systems (e.g. capitalist, socialist or communist) and therefore have different institutional arrangements (Tinker, 1980) in influencing the economic order. In other words, markets are not “free” but are structured by social relations in society. Tinker (1980) advocates the understanding of the social and political processes in explaining economic performance (i.e. political economy) at either the corporate or the national level. In brief, from the political economy perspective, organisations pursue their self-interest but are influenced by their operating environment (Cooper & Sherer, 1984; Purushothaman et al., 2000).

Gray et al. (1996) divided the political economic framework into two main branches to explain corporate social reporting. These two branches are classical political economy and bourgeois political economy (see also Gray et al., 1995; Purushothaman et al., 2000). On the one hand, the classical political economy (also known as Marxian political economy) has the role of the state as the focus of its analysis. This theory emphasises class interest, structural inequity and the conflict and the role of the state. On the other hand, bourgeois political economy (usually associated with John Stuart Mill) perceives the world as pluralistic (Gray et al., 1995; Purushothaman et al., 2000). As such, it does not explicitly recognise the process of structural forces in constructing group self-interest. This thesis adopts the bourgeois political economy perspective because it excludes structural conflict from analysis. While this

perspective acknowledges the significance of structural relationships and structural conflict negotiations in the system, it views these relationships as a whole that constitutes the system.

The bourgeois political economy is further broken down into two often applied theories in corporate social reporting research: stakeholder theory and organisational legitimacy theory. These theories can explain the relationships of organisations and their various publics. They will be discussed further in the public relations motivations for corporate social reporting section. Studies of corporate social reporting embracing the concept of political economy will also be discussed in the specific public relations applications section.

Several authors have applied the concept of political economy to explain corporate social reporting (see, for example, Adams et al., 1998; Buhr, 1998; Burchell, Clubb, Hopwood, Hughes, & Nahapiet, 1980; Cooper, 1980; Cooper & Sherer, 1984; Tinker & Neimark, 1987). From a corporate social reporting perspective, it is argued that disclosure decisions are always political decisions (Cooper & Sherer, 1984; Hunt & Hogler, 1990; Roberts, 1991). The decisions are political because the state and the public both at the national and international level have imposed pressure on companies for additional disclosures (Roberts, 1991).

The pressure imposed on companies in the social system is basically grouped into three power blocs: the state, economy and civil society. The state through laws, policies and legislation, can intervene in the economy by imposing tariffs and restrictions on international trade, moderating taxes, and providing subsidies to name a few. The state imposes policies on businesses with the interest of civil society at heart. The economy as a whole determines businesses' behaviour; and civil society votes for the state. Walden and Schwart (1997) acknowledge the pressures of government policies on organisations and identified three non-market (non-economic) environments: cultural, political and legal. They illustrate how these three non-market factors influence the amount of social or environmental disclosure. For

example, the introduction of regulations resulting from events such as oil spill affects social disclosure. Other examples of the relationship between the nature of disclosure and the socio-political context are demonstrated in several longitudinal studies such as Adams and Kuasirikun (2002), Adams and Harte (1998), and Hogner (1982).

In Malaysia, Williams and Ho (1999) conclude that social reporting is very much influenced by national factors. The unfavourable social, political and economic conditions explained the low level of social reporting on websites as compared to other nations. The Malaysian scenario is supported by Haniffa and Cooke (2002) in another study on the level of voluntary reporting (non-accounting and non-mandatory accounting). They found corporate governance and race important determinants that influence the level of voluntary reporting apart from corporate specific factors (like company size, industry, etc.).

However, corporate social reporting is not only influenced by social, political and economic factors. It also influences the social, political and economic environment. Arnold and Hammond (1994) highlighted the Sullivan Principles, a set of principles encouraging companies to support economic, social and political justice wherever corporations conduct their businesses. The Sullivan Principles, in the form of social reports, use economic pressure to influence social and political climate (system of apartheid) in Africa. This process reinforces the social construction of reality assumption (Berger and Luckman, 1966) discussed further in the Methodology chapter. Here, corporate social reporting plays the communication role in the construction of the business environment in Africa. The concept of political economy provides a holistic framework for analysing and understanding corporate social reporting within the social system. In essence, the economic sphere (where the companies are) cannot be studied in isolation from the state and civil society of which it is a part (Gray et al., 1995).

2.2 SOCIETAL LEVEL: THE CONCEPT OF A RISK SOCIETY

Another overarching theory that informs this study is that of the risk society. Embracing the social construction of reality philosophy, corporate social reporting possesses the potential to mould public agenda to the interests of the economic sphere. According to Beck (1992), society is exposed to risk when power is concentrated in the economic sphere. Companies use corporate annual reports to promulgate their corporate ideology in the social and political arena. Although the concept of a risk society has not been applied in corporate social reporting studies, it is adopted in this thesis to explain the risk that society faces from the interaction of the power blocs (consisting of politics, economics and civil society). The subsections below elaborate the concept of a risk society adopted as part of the framework in this study to explain the impact of political and economic decisions on society.

2.2.1 The Quest for Modernisation

As mentioned in Chapter 1, modernisation as a “‘total’ transformation of a traditional or pre-modern society into the types of technology and associated social organisation that characterize the ‘advanced’, economically prosperous, and relatively politically stable nations of the Western World” (Moore, 1974, p. 94). Although there are more than one way to achieve modernisation, “economic development” emerges as the most common and conventional approach (Moore, 1974).

Consequently, the main concerns of a nation are best economic choices and maximum production efficiencies to generate maximum profits and economic growth as spelled out in capitalism. Capitalism, coined in the 1850s and 1860s, was described as the achievement of a new economy based on industrial production of commodities on a world scale (Patterson, 1999). This concept postulates that growth rests on free competitive private enterprise and the absence of government interference.

Democracy works alongside capitalism because it suggests freedom of choice. In this system, people are free to make economic, social and political decisions for themselves either by themselves or through their representatives. The process of democracy can be accomplished by an election governed by law whereby the people choose whom they want to represent them to attain their choices. Liberal economics which posits minimal government intervention coupled with democracy is currently the dominating and influencing economic and political systems (Gray et al., 1996). This combination supports the quest for capitalist economic development.

Therefore, capitalist governments, acting on behalf of society, continue to support the ambitions of the economy towards modernisation. When economic development is a priority, national decisions are geared towards economic development demonstrated in a nation's cash flow, profit and gross national product (GNP). Consequently, accumulation of profit is preferred as economic development reflects modernity. The struggle of the power blocs is more pertinent as society strives for modernisation. The quest for modernisation is discussed in this section as it is through the process of modernisation that risk proliferates in society.

2.2.2 Side Effects of Economic Development

The pursuit of economic ambition in the name of modernity is coupled with undesirable side effects of industrialisation that impose risk on society. Risk is manufactured while society progresses to achieve industrialisation (Beck, 1992).

Beck refers to the risk society as the mutated industrial society. With the advancement of industrialisation, the concept of the risk society depicts the socio-political and socio-scientific implications of these developments. 'Good news' is seemingly accompanied by the 'bad news'. According to Gray et al. (1996), the bad news is the price that the world pays for the good news. Beck's risk society marks the current state of modernity in society where both the achievements and deterioration of industrialisation happen simultaneously.

The contribution of risk society to social theory facilitates understanding of the world we currently inhabit by acknowledging the implications of living in a hazardous world. Beck's orientation is pessimistic. Instead of highlighting the benefits of progress, he addresses the dark side of progress explained earlier that has increasingly been the subject of both social and political debate (Fischer, 1998). Risk society informs an entirely new paradigm to view these new challenges bestowed upon the world by technologies and business practices. The concept clarifies in what way risk issues are "experienced, perceived, defined, mediated, legitimated and/or ignored" by society (Adam & van Loon, 2004, p. 6). Therefore, the risk society represents a significant social theory as there is no turning back from the commitment towards industrialisation. The concept of a risk society represents the backdrop of the thesis' theoretical framework for interpreting Malaysia's response to industrialisation.

According to Beck, the current world phenomena of wealth (from industrial society) and risk (from risk society) distribution are due to the overlapping between these two epochs. While the industrial society worries about the production of goods and services, risk society worries about the production of risks. Although risk is not a new concept, late-modern risk is. Late-modern risks are distinct from conventional modern risks — industrial risk. While industrial risks promulgate measurable financial compensation due to unforeseen circumstances or flawed decision-making, the risk society experiences risk out of modernisation such as environmental hazards, and green-house-gases. The late modern risk is labelled by Beck (2004a) as "man-made hybrids" (p. 221) of the world.

Risk construction needs to be understood as what Beck (1992) and Giddens (1991; 1994) call the practice of manufacturing uncertainties. As the two main ingredients for economic transformation are industrialisation and democracy (Leontyev, 1974), the increasing processes of manufactured uncertainty refer to a particular continuously transforming set of social, economical, political and cultural conditions. According to Beck, science, with all its mistakes, is becoming more human-like in

that humans inevitably make mistakes. The capacity for destruction and the magnitude of the risks are greater as society progresses. The discourse of risk begins at “the end of trust in our security and our belief in progress” and ends at “the beginning of a potential catastrophe” (Beck, 2004b, p. 213).

2.2.3 Institutional Response to Risk

Risk perception is socially dependent, which means risk may be perceived as a threat to one society but not to another. As society is nationally bounded, risk tends to be therefore nation dependent. While some societies may address environmental issues as a priority, some might address industrial development. As risk is nation dependent, this thesis investigates whether organisational decisions to engage in social reporting are in response to the perception of risk in Malaysia.

International comparative analysis has been conducted to understand corporate social reporting practices across borders (see, for example, Adams, 2002; Adams et al., 1998; Adams & Kuasirikun, 2000; Andrew et al, 1989; Cowen, Ferreri, & Parker, 1987; Ness & Mirza, 1991; Roberts, 1991). Andrew et al. (1989) conducted a comparative study between multinational and local companies in Malaysia and Singapore. Although there seems to be evidence that multinational companies in both countries are reporting more as compared to local companies with regard to amount, themes, medium and extent of disclosure, there are still differences in the reporting practices in these two countries. These are due to national factors of the respective countries (for other examples, see Williams and Ho, 1999). As corporate social reporting strategies may vary from one country to another, the explicit national context such as the social-political and economic system, needs to be considered. As much as the perception of risk influences corporate social reporting practice, the practice itself also influences the level of risk.

Beck (2004b) describes risk as “involuntary, negative currency” (p. 219); because of its potential cost, companies find it hard to accept or admit the fact that they are

producing risk. Consequently, accepting or admitting its existence is low. Therefore, it is natural to deny or repudiate risk with or without knowing its potential for producing more risk. The lack of risk information promotes the growth and spread of risk. As the symptoms of risk are delayed, economic success and freedom from prosecution have promoted a comfort zone for most industries. The issues of ignored risk, growing risk, acknowledgement of risk and cultural sensitivity are all incubators for manufactured uncertainties. Industries are taking advantage in internalising these risk issues either without realising or by denying their potential devastation capability. Industries continue polluting the environment, increasing price, etc. The negative association of risk inhibits organisations from reporting their social performance because social reporting is an indirect indicator of organisations' role in manufacturing risk.

In line with the social construction of reality that informs the philosophical assumption that this thesis takes, different people construct reality and meaning, and describe their own view of the importance of the same phenomenon (for example, risk) differently. As a result, the subjectivity of knowledge is an issue in decision-making. The knowledge of consequences of decisions will either result in a kickoff and acceleration or delay and abolishment of an action. According to Beck (1992), manufactured uncertainties have created a continuum of extremes when knowledge comes into play with decision-making. At one end of the continuum, the denial of risk is the perfect breeding ground for risk itself. There is no stopping or any form of control if risk is denied from an action. At the other end of the continuum, the acknowledgement of risk would either hold back or cripple an action as this opens the flood gates of fear. Thus, everything becomes risky. This phenomenon creates a sense of powerlessness as risk suggests what not to do as opposed to steps to be taken.

The risk society examines institutional responses to their own destructive capacity. For example, industries reduce pollution to contribute to the social objective of improving the environment. The concept of the risk society is adopted in this study to find out whether Malaysian companies apply social reporting as a response to their

own manufactured risk. Does social reporting reflect corporations' social initiative? Is social reporting a disguise for corporations to continually manufacture risk?

2.2.4 Perception of Risk

As discussed, risk is socially constructed. Risk is perceived to be threatening based on the subjectivity of risk in a particular society that motivates thought and action. The same risk may be perceived and handled differently elsewhere. Perception is both contextually and locally constructed. Therefore, the gap between the source (manufacture of risk) and symptoms of a problem becomes a point of conflict between society and experts (corporations) (Beck, 2004b). It is in this gap that data (cause of problems) can be manipulated, hidden, denied and distorted by the experts (Beck, 1995a, 1995b). It is here that experts choose whether to report, and what to and not to report.

As perceptions are dependent on interpretation due to varying competing perspectives, they become political. The issue now lies in who defines risks, how these risks are defined and why they are defined in such a way. The concept of risks as inevitably socially constructed depends on those in a position to define or legitimise them based on "context, position, perspective, interest and the power to define and colour interpretation" (Adam & van Loon, 2004, p. 4).

The dependence of risk upon interpretation and expert opinions makes risk one of the most powerful discursive devices for influencing the political horizons of both organisational and governmental levels of modern industrialised society. As long as expertise and knowledge are still exercised by science, politics, media, law and commerce, organisations hold the power to control risk discourse. Social construction and interpretation of risk becomes a prominent issue in this study because it is through these interpretations that organisations determine their responses. Therefore, it is interesting to investigate organisational reaction in Malaysia in acknowledging risk along the continuum. This thesis investigates organisational communication in

the form of social reports, and the degree to which it seeks to strike a balance along the continuum between legitimising actions and meeting organisational goals.

Beck puts forward a social theory to explain the current social phenomenon. He stresses that the risk society is equipped with obsolete 19th century institutions to address 21st century crises. He claims that the notion of a risk society helps to bring up issues due to the ramifications of industrialisation. This concept has the ability to explain the need for institutions to acknowledge hazards and also to address reasons for denying the existence of hazards. The risk society also recognises the problem of institutional accountability towards these manufactured uncertainties by industrialism based on risk definition. Beck claims this through the concept of reflexive modernity in that modernity has to be itself reflexive. Beck hopes institutions are reflecting upon their actions in responding to the catastrophes that society currently is enduring. Business, science and technology are powerhouses of change that lead to risk creation. These powerhouses also need to individually self-reflect. Beck (1992) asserts, “they cannot continue to pretend that they do not make policy by their own means...the age of excuses is over” (pp. 233-234). In order to address the current problems of risk society, organisations may have to alter their operations. For example, organisations need to self-evaluate their environmental footsteps while producing their product and to think of their implications for society. As part of the power blocks, organisations can proactively formulate their corporate policies and influence national policies taking society into consideration.

In the concept of a risk society, present-day decisions are no longer influenced by the past. The past has lost its place in determining the present. Beck postulates that it is the unknown future where risks lie that determines present action. Risk is the driving force of most present-day decision-making, whether they are corporate or national decisions. As a result, discussions are facilitated by consequences of current action. Beck states that these invisible risks have to be brought to the public’s consciousness. The public has to recognise that these risks are social threats that will affect them. In that sense, the public has the right to information. As organisations aim to secure

public support in order to maintain legitimacy, they engage in varied responses to the public's right to information.

This section of the thesis demonstrates the interdependence of economic (businesses), civil society (society) and the state (government) in society. The concept of political economy is used to show how business decisions influence and are at the same time influenced by other spheres in society. The concept of a risk society is then applied as a platform to explain the risk that society currently faces which determines corporate actions. Both these concepts form the overarching theoretical framework for corporate social reporting. The next section discusses the public relations motivations and applications in response to corporate social reporting in Malaysia.

2.3 CORPORATE LEVEL: PUBLIC RELATIONS

As the concepts of political economy and a risk society address the theoretical framework at the societal level, the following section discusses corporate social reporting at the corporate level. This section starts with the overall public relations concept to explain corporate social reporting in Malaysia followed by the motivations of public relations to meet stakeholder expectations, and eventually, to attain organisational legitimacy. The section continues with the concepts of issues management, internal and external communication, and image and identity.

Corporations engage in corporate social reporting as a communication effort to inform, present, notify, update, reveal, disclose, convince, report, articulate, voice or to form dialogue with their various stakeholders. Gray, Owen, and Maunders (1987) defined corporate social reporting as “the process of communicating the social and environmental effects of organisations' economic action to particular interest groups within society and to society at large” (p. ix). In this definition, communication takes centre stage. The acknowledgement of corporate social reporting as a communication tool is present in all social reporting studies, although the communication perspective rarely emerges as the topic of research. However, several studies have associated

corporate social reporting with public relations. Instead of acknowledging the role of public relations practitioners in encouraging social reporting (see, for example, Adams 2002; Cowen et al. 1987), these studies regard public relations as a hoax (see, for example, Cowe, 2001; O'Dwyer, 2002). Public relations has been conveniently used as a synonym of self-laudatory without substance in social reporting literatures. The next section attempts to explain the current conception of public relations' image as well as the role of public relations in corporate social reporting.

2.3.1 Definition of Public Relations

As organisational survival depends on public support, organisations need to constantly communicate with the public to nurture the desired support. In this communication effort, public relations professionals bear the responsibility of monitoring organisational as well as public discourse. As a result, they design their organisations' public relations activities to influence public opinion, decision and action. Saia and Cyphert (2003) claim that this practice of communication is an effective way to influence public perception. It is public perception that informs the decision whether or not to support an organisation.

Public relations is defined as the management communication function that establishes and maintains mutually beneficial relationships between an organisation's internal and external publics on whom its success or failure depends (Cutlip, Center & Broom, 1994: see also Grunig, 1992; Seitel, 2004). In brief, public relations encompasses building beneficial relationships with stakeholders for organisational success. As corporate social reporting is an organisation's communication tool to influence stakeholder perception, it lies in the realm of public relations. The functionalist approach to PR is adopted in this thesis as PR can assist corporations to function as integrated sub-system by maintaining social balance. According to O'Sullivan (1994, p. 124), "functionalism views societies as integrated, harmonious cohesive "wholes" or "social systems" where all parts ideally function to maintain

equilibrium, consensus and social order (see also L'Etang, 2008)". In this thesis, corporate social reporting plays the PR role to maintain the required "equilibrium".

Corporate social reporting provides a platform for a two-way relationship between organisations and stakeholders (Dierkes & Berthoin-Antal, 1985; Ullmann, 1985). As reflected by Seitel (2004), public relations plays the role of both management and public interpreter. On the one hand, public relations interprets organisational philosophies, policies, programmes and practices accurately and truthfully for the publics. On the other hand, public relations carries an advisory role by interpreting public attitude towards the organisation to the management for decision making.

The act of reporting allows stakeholders to read about what the organisation is doing and to react to that information. According to Baskin, Aronoff, and Lattimore (1997), the dialogical relationship supports the ecological models of public relations where organisations take corrective actions to adapt to their social environment.

Organisations' responses to information they gathered from the environment can be categorised into two forms of communication models: two-way asymmetrical, and two-way symmetrical communication demonstrated by Grunig and Hunt (1984). In the two-way asymmetrical communication model, organisations use the gathered information to develop messages for stakeholder support without altering organisational behaviour. If carrying this role is insufficient, management needs to engage in two-way symmetrical communication with its stakeholders. This process involves listening and responding to public concerns by not just altering corporate discourse but by altering corporate behaviour (Roper, 2005) to adapt to the organisational environment.

This ecological model in public relations depicts the mutually dependent relationships between organisations and their social environment (Baskin et al., 1997; Cutlip et al., 1994). It is through this on-going two-way communication and active engagement between organisations and their stakeholders that understanding is achieved based on negotiation and compromise (Dozier, 1995). In other words, this form of

communication implies a “win-win” situation for both parties as mutual satisfaction is desired over the sacrifice of one party (Murphy, 1991). Apart from reporting what the organisation has achieved and plans to do, corporate social reporting also functions as an active document in inducing corporate action. However, this is not a straight forward role because of PR’s manipulative reputation. The public is aware that PR can function in the interest of business (Stauber & Rampton, 1995).

The function of public relations as a management and public interpreter provides one foundation for ethical communication as public interests are advocated in management decision making through this two-way communication model. Ideally, organisational activities are constantly matched-up with stakeholders’ expectations. However, two-way symmetrical communication serves organisational self-interest as “organisations get more of what they want when they give up some of what they want” (Grunig, 2001, p. 13; Grunig & White, 1992, p. 39).

From the corporations’ perspective, corporate social reports have the potential as a public relations tool to create reality and truth to influence organisational stakeholders. Public relations can enhance organisational credibility if what is communicated is carried out. Potential risk to society will be reduced as organisations constantly respond to society’s interests. Conversely, if communication is not representative of actions, public relations effort (e.g. corporate social reporting) will risk losing its credibility. Not all organisations’ actions reflect what is communicated. As a result, the public relations concept and practice receives criticism and is challenged as discussed below.

2.3.2 Public Relations Challenges

Public relations has earned a negative ethical reputation. Although ethical public relations is based upon open communication of company practices, public relations has the reputation of unethically disguising or hiding information. Companies’ practice of unethical public relations to appear in a favourable light has resulted in the

public relations' title of 'spin-doctors' (Johnston & Zawawi, 2000; Seitel, 2004) or 'flacks' (Wilcox & Cameron, 2009; Wilcox, Cameron, Ault, & Agee, 2003; Watson, 2002). Public relations techniques have been used to camouflage operations in order to continue existing practices (Milne, Kearins, & Walton, 2004). According to Beder (2000), organisations are more interested in stakeholder perception than genuinely concerned about the environment. Molony (2000) labels this as "manipulation of opinion". Although pressure groups and big corporations may actually use similar communication methods, in the eyes of the public, corporations that are deemed guilty and telling the "untruth" use public relations (Moore, 1996). Thus, publics regard policies, activities or statements involved in public relations as a gimmick or ploy.

As a result, public relations implies pretence, insincerity and weakness (Wilcox & Cameron, 2009; Wilcox et al., 2003). As such, corporate social reporting, an organisational communication medium, may be associated with this negative reputation. Lawrence and Collins (2004) gave an example of the reason behind Hubbard's Foods, a New Zealand cereal company's decision to produce a triple bottom line report in 2002 but not in 2003. They found that Hubbard's Foods was distancing itself from the public relations stigma and claim that the behind-the-scenes, undisclosed, ethical acts were more important. Social reports are even regarded as a 'greenwashing' public relations tool (Hess and Dunfee, 2007). The negative reputation is one of the reasons not all companies engage in corporate social reporting. If public relations lives up to this unfavourable reputation, society will be at risk as it is exposed to distorted information.

The absence of data to back up claims and the addressing of insignificant issues reinforce the accusation. According to Cowe (2001), companies reporting on social performance rarely report on hard facts and controversial issues (for examples, see Belal, 2001; Hooghiemstra, 2000; Kaptein, 2007). The situation is made worse when corporations claim that there is a shortage of established social reporting audits (Arnot, 2004; Hedberg and Malmberg, 2003) and guidelines (Maitland, 2002;

Nielsen & Thomsen, 2008) although several reporting audits and guidelines were available such as Global Reporting Initiative (GRI) G3. These are the reasons why many organisations are reluctant to be associated with public relations. These organisations may either euphemise public relations with other names like corporate communications, public affairs, or public information (Wilcox & Cameron, 2009; Wilcox et al., 2003) or even not have a public relations department (for examples, see Alvesson, 2004a). Although corporations may engage in social reporting to communicate the truth, they risk negative associations ("Corporate storytelling; non-financial reporting," 2004).

Apart from suffering an adverse reputation, public relations is also perceived to be unpopular as a core management function. This happens when public relations, unlike marketing, is unable to relate its functions directly to profits (Johnston & Zawawi, 2000; Moore, 1996). Public relations does not directly set out to fulfil organisational financial goals. The public relations role is to provide a favourable business environment for organisations which is conducive to achieving financial goals. As a result, management emphasises profit-driven functions such as marketing over public relations.

Management's perception of reporting is significant in encouraging social reporting. As the extent of public relations' or communication department's involvement in the social reporting process will have an influence on the nature and completeness of reporting (Adams, 2002), management will engage in corporate social reporting when it perceives reporting to be beneficial. According to Adams (2002, p. 236), social reporting is beneficial if it "enhances corporate image, minimises risks, influences the delay in legislation, attracts and retains the most talented people, gets included in ethical investment funds, improves internal systems and control leading to better decision making and cost savings and communicates the group's values and targets to all group companies". For example, according to Adam's (2002) study, two German companies were doing more community work than was reported. The reason given

was that exposing charitable events would invite more attention for more contribution with a consequent effect on profitability.

For these reasons, public relations is not looked upon as a major corporate function; therefore, limited management resources are not directed to it. In addition, public relations functions were traditionally viewed as a defence mechanism against 'attacks' or public outrage on organisations. So, when corporations do not face any attack, for example, demand for environmental concerns, they may be in no urgency to create a public relations department to 'combat' the attack as they perhaps do not perceive it as an issue.

Although public relations may have a negative reputation, it is still widely practised as an organisational communication tool with stakeholders. One simple example is the credibility of press releases that public relations generate (Fijewski, 2003). Consequently, public relations concepts will be adopted to explain organisational motivation for corporate social reporting in Malaysia. However, with the challenges public relations faces, corporate social reporting's fate as a public relations tool is questioned when public relations' own legitimacy is at stake.

2.4 CORPORATE SOCIAL REPORTING MOTIVATIONS

Although public relations has an adverse reputation as discussed earlier, many corporations continue to engage in public relations activities such as corporate social reporting. This section of the theoretical framework discusses corporate motivation for corporate social reporting. The stakeholder perspective will lead the discussion followed by the concept of organisational legitimacy.

2.4.1 The Stakeholder Perspective

Earlier the chapter discussed the purpose of public relations in garnering stakeholder support. Freeman (1984) defines stakeholders as “any group or individual who can affect or is affected by the achievement of an organisation’s objectives” (p. 25). This perspective challenges the neoclassical economic perspective which holds that the primary duty of business is to perform in the interests of a specific stakeholder, its owners, its shareholders.

The rationale behind the shareholder perspective is that shareholders contribute the corporation’s capital and, therefore, deserve all earnings (Cochran, 1994; Friedman & Friedman, 1962; 1970). The only duty of the firm is financial (Key, 1999). However, as society’s expectations become more complicated as a result of improved social conditions and rising standards of living (Purushothaman et al., 2000; Tsang, 1998), society urges companies to become more accountable to a wider audience than shareholders alone (Hackston & Milne, 1996; Ullmann, 1985). The stakeholder perspective explains the difficulty in sustaining the purely financial obligations propounded by neoclassic economic theory.

Agreeing with Beck’s concept of a risk society — that capitalism has produced unfavourable side effects — the stakeholder perspective provides a complementary paradigm to address new challenges produced by industrialisation. The stakeholder perspective was popularised from the turbulent situation of community groups in the USA in the 1980s when communities questioned organisational social practices (Pesqueux & Damak-Ayadi, 2005). According to Zambon and Bello (2005), the concepts of corporate social responsibility, sustainability, environmental respect and corporate governance emerged out of the basic assumptions of stakeholder theory. They are labelled as “stakeholder responsible approaches” (Zambon & Bello, 2005, p. 130).

The growth in awareness of the stakeholder concept is the result of many criticisms of profit as an all-inclusive measure for corporate performance (Hackston & Milne, 1996). Social changes require adjustments of conventional financial reporting (Laubscher & Shuttleworth, 2004). Hummels and Timmer (2004) and Yongvanich and Guthrie (2007) assert that even shareholders require social information as social performance influences company overall performance. Therefore, corporations need to report a wide range of issues rather than just financial.

The stakeholder perspective is that for corporations to be successful, they have to continuously manage various and often multiple stakeholders' interests and demands (Nasi & Nasi, 1997; Purushothaman et al., 2000; Roberts, 1992). Stakeholders (for example, the public and government) are placing pressure on companies to exhibit their accountability to society (Low et al., 1985; Mathews, 1997; Purushothaman et al., 2000). The mushrooming of new organisational units known as "sustainability group", "corporate communication department", "public relations department" and "corporate social responsibility committee", to name a few, signifies the importance of acknowledging stakeholders other than only shareholders (Sachs & Rühli, 2005). Supporting this claim, Sheng (2003) says that "stewards of companies must abide by their fiduciary duties to their stakeholders and therefore the society they operate in" (p. 11) and that no corporation can thrive while the community around it suffers. The shareholder and stakeholder approaches are the two dominant competing frameworks for management orientation and the tension between them is evident (Mele, 2002).

As financial reporting is motivated by a mandatory requirement, social reporting is most likely be motivated by political or societal pressures (Wilson, 2007), supporting the concept of political economy (Laubscher & Shuttleworth, 2004). As a result of societal pressure, corporations feel the need to produce reports to proclaim their non-financial responsibility to stakeholders (Zambon & Bello, 2005). Low, et al. (1985) assert that companies have a contractual, implied or moral responsibility to society and that society (and increasingly shareholders) has certain rights to information to know whether companies have fulfilled their obligation as corporate citizens.

Companies are increasingly suggesting corporate social reporting to stakeholders as a condition for good reporting. However, Hess (2001) suggests a flexible instead of an imposed regulatory framework be imposed on organisations to produce socially responsible behaviours. Corporations should be encouraged to be involved in corporate social accounting, auditing and reporting instead of being regulated. Regulations would limit corporate conduct as corporations tend to just be accountable to regulations instead of being sensitive and responsive to stakeholders' expectations (see also Meiklejohn, 2007; Williamson & Lynch-Wood, 2008).

As the role of management is to identify, understand and satisfy the needs of all stakeholders (Charkravarthy, 1986), social disclosure is acknowledged as part of the organisation-stakeholder dialogue. This mediation role with their stakeholders (Gray et al., 1995) is aimed at avoiding stakeholders' opposition and if possible to gain their support. As disclosures function as a response to societal forces and behaviours, organisations need to disclose enough information for the public. Doane (2007) suggests rigorous stakeholder engagements aim at verifying social reports. The purpose is for stakeholders to judge whether these organisations are worthy of their support (Guthrie & Parker, 1989b). Roberts (1992) found that public stakeholder pressure actually induces the level of social reporting instead of corporate characteristics such as size and industrial type. Adams (2002), and Thompson and Zakaria (2004) observe that companies are unwilling to report in countries where there is no public pressure to report (see also, Chou & Chandran, 2007; Guthrie & Parker, 1990). As such, stakeholder power is an influential factor for social reporting. According to Frooman (1999), "it is the dependence of firms on environmental actors (i.e. stakeholders) for resources that gives those actors leverage over a firm" (p. 195).

It is useful for organisations to identify stakeholders as it allows them to identify relevant activities and types of information to report (Zambon & Bello, 2005). Many attempts have been made to identify stakeholders: internal and external stakeholders (Mitroff, 1983); primary and secondary stakeholders (Buchholts & Carroll, 2009; Post, Lawrence, & Weber, 2002); market and non-market stakeholders (Lawrence &

Weber, 2008); moral and economic stakeholders (Mitchell, Agle, & Wood, 1997); societal and economic stakeholders (Lépineux, 2005); and shareholders, internal stakeholders, operational partners and the social community (Lépineux, 2003 in Pesqueux & Damak-Ayadi, 2005).

Neu et al. (1998) explain that corporations have to acknowledge that a multiplicity of relevant stakeholders exists who can demand different disclosure responses. Neu et al. (1998) state that certain stakeholder groups are more effective than others in demanding social disclosures and companies are more responsive to their demands (see also, Thompson & Cowton, 2004). They find government regulators and financial stakeholders to be more powerful stakeholders. Roberts (1992) found evidence that management may view corporate social reporting as an overall corporate strategy for highly political visible organisations to meet government and creditor expectations and that it has been relatively successful as a medium for negotiating organisation-stakeholder relationships. Ethical investors take social reports more favourably in their investment decisions (see, for example, Epstein & Freedman, 1994; Harte, Lewis, & Owen, 1991; Rockness & Williams, 1988). The classification and managing of different stakeholders are referred to as “unpacking the public pressure” (Neu et al., 1998, p. 267) which aims to identify differential reporting responses to the demand of various relevant publics. While corporations need to balance and meet the conflicting demands of various stakeholders to survive (Roberts, 1992; Williamson & Lynch-Wood, 2008), they can, however, find it difficult to fulfil these demands with limited resources. When resources are limited, problems lie in how to make the necessary tradeoffs among the competing interests of the various stakeholders (Jensen, 2001).

Nevertheless, there is a lack of agreement when categorising stakeholders based on the importance to organisations. Gray et al. (1995) and Jensen (2001) criticise stakeholder theory for failing to prescribe where the power lies among constituencies. For example, although Neu et al. (1998) and Post et al. (2002) segregate primary from secondary stakeholders, their categorisation is not uniform. They do not specify how

the tradeoffs were accomplished. Goodpaster (1991) maintain that categorising stakeholders is futile. When a conflict occurs among stakeholders, company policies would always be biased towards shareholders (Williamson & Lynch-Wood, 2008). As there is no standard means of identifying stakeholders, corporations should have the same obligation to stakeholders as they have towards shareholders. As a result, the more general stakeholder definition offered by Freeman (1984) is adopted in this thesis. As long as a party can have an impact on a business, and/or can be impacted by that business, it is regarded as a stakeholder (Freeman, 1984).

Regardless of who is more influential, fundamentally, the main struggle of power is between civil society (the public), and the economy (businesses). As discussed earlier, the power to influence is structurally determined by how much the public and businesses depend on each other for resources. As discourses possess the power to control the mind (van Dijk, 2001), organisations may engage in discourses to influence stakeholder perception. This relationship is exposed to the possibility of manipulation.

Corporations may engage in corporate social reporting to manipulate company information. Zambon and Bello (2005) outline three reporting stances of corporate social reporting in influencing stakeholder perception. Organisations can choose to report: 1. Equivalent to, 2. more, or 3. less, than the corporate implemented activities. In other words, companies can choose to actively inflate or conceal information. Corporations assert that neutral reporting is almost impossible when they can choose not to conform to generally accepted reporting standards. Consequently, corporations can strategically apply social reporting to obtain credibility and legitimacy to continue operations (Nielsen & Thomsen, 2007).

New stakeholder perspectives are developed as organisations try to form connections with their stakeholders through corporate social reporting. Lozano (2005) challenged an all-embracing stakeholder theory by postulating that merely classifying and identifying stakeholders are not equivalent to understanding stakeholders. Lozano

(2005) suggests the active analysis of the relationship between organisations and their stakeholders. Instead of the conventional stakeholder-corporation relationship, where the corporation is the centre of a network of stakeholders, Lozano advances the corporation as part of a network with its own set of stakeholders. As such, organisations are set alongside, instead of isolated from, other stakeholders. Waddock (2001) adds, “no longer can we say business and society...the correct terminology is business in society” (p. 241).

When businesses are seen to be operating in society, organisations can be seen as engaging in an inter-dependency relationship in the network of shared responsibilities (Lozano, 2005). As a result, this type of relationship entails interpreting and understanding each other, thus encouraging a learning relationship. Consequently, the relational corporation changed the concept from managing to building stakeholder relationships. In this concept, long-term relationships are attempted to understand stakeholders and to promote collaboration that benefit all parties. Miller (2002) asserts that it is through communication that relationships are forged. Lozano (2005) adds that “building such complex relationships means narrating, explaining, drafting, understanding and giving them [stakeholders] meaning, taking into account the interests, values and principles that are at stake” (p. 70). From this perspective, corporations adopt corporate social reporting to communicate with their stakeholders.

From the discussion above, the stakeholders’ perspective explains that the meeting of stakeholder expectation is central to obtaining the desired stakeholder support that confers organisations with the legitimacy to continue their operation.

2.4.2 Organisational Legitimacy

Organisational legitimacy is applied as the prime public relations motivation for corporate social reporting in this study. An organisation is legitimate, according to Dowling and Pfeffer (1975), when it is judged by organisational publics to be “just and worthy of support” (p. 127). As discussed earlier, the function of public relations

is to develop mutually beneficial relationship with stakeholders. The concept of organisational legitimacy is linked to public relations when businesses develop long-term relationships with their various communities on which they depend for capital, labour and customers in order to remain legitimate (Nasi & Nasi, 1997; Neu et al., 1998; Parsons, 1960; Singh, Tucker, & House, 1986). Organisational legitimacy is an extension of the stakeholder perspective and supports the political economic view that businesses do not function in isolation from politics and civil society.

Besides building relationships with various stakeholders (Lozano, 2005), organisational legitimacy theory complements the stakeholder perspective further by not only recognising the importance of building stakeholder relationships but also influencing stakeholders' perceptions in order to maintain legitimacy. It is argued that the core of such legitimacy is societal perceptions of corporations' endeavours (Suchman, 1995). Organisations influence societal perception because they are dependent on stakeholder support for their operations. Reich (1998) claims that corporations are actually social creations and argued that their very existence is dependent solely on the willingness of society to allow them to exist (i.e. to give them the legitimacy to operate in society). Organisations that are perceived to be legitimate are able to acquire resources from their environment that they need for survival (Suchman, 1995). As a result, the publics are seen to possess power over organisations.

As organisations need stakeholders to grant them legitimacy, they have to establish congruence between their corporate activities and society's values and expectations (Dowling & Pfeffer, 1975; Wilmshurst & Frost, 2000). Lindblom (1994) defines the state of legitimacy as

“...a condition or status which exists when an entity's [organisation's] value system is congruent with the value system of the larger social system of which the entity is a part. When a disparity, actual or potential, exists between the two value systems, there is a threat to the entity's legitimacy” (p. 2).

In other words, an organisation must act or at least appear to act within the bounds of what society identifies as socially acceptable behaviour if it is to legitimately continue operating successfully (Deegan, Rankin, & Tobin, 2002; O'Donovan, 2002). When managers perceive that the corporation is performing contrary to society's expectations, they have to take corrective actions to converge organisational activities with societal expectations (Deegan, Rankin, & Voght, 2000). Organisational activities that are perceived to be leading or lagging behind societal expectations beyond a critical point risk losing legitimacy (Zyglidopoulos, 2003). For example, corporations in the petroleum industry mimic one another's strategies (Bansal & Roth, 2000) to ensure that their corporate activities are perceived to be congruent with societal expectations.

Campbell (2000) draws on early thinkers in organisational legitimacy (for example, Hobbes, Locke, and Rousseau) to state that organisations exist under an implied social contract with their publics. Deegan et al. (2002, p. 319) refer to this social contract as a "community licence to operate" while Massie (2001) acknowledges it as "social license to operate" (p. 61). This contract is an implicit agreement between an organisation and its constituents. If society perceives organisational actions as not in accordance to its values, norms and beliefs, organisations risk breaching the social contract which will lead to losing legitimacy. This concept is largely reactive to societal expectations as organisational legitimacy is dependent on social consent or dissent. While societal consent is usually manifested in acceptance, societal dissent is manifested in public outrage (such as protests, pickets and boycotts) attracting unfavourable attention that may jeopardise organisations' hard-earned reputations (Metzler, 2001). In order to manage relationships with the public to gain stakeholder acceptance, corporations need to establish a link between public relations and the concept of organisational legitimacy.

In addition to the risk of losing legitimacy, organisations also face higher unsystematic risk if they do not function within the expectations of society. Unsystematic risk is a type of risk that affects a corporation's stock price volatility

due to events that affect only a particular firm. According to Bansal and Clelland (2004),

firm-specific events, such as labor strike or an oil spill, may influence investor's perceptions of a company's future cash flows. Investors react to this information by buying and selling stocks, influencing the stock price and ultimately, the firm's unsystematic risk. (p. 93)

In order to control their unsystematic risk, organisations strive to attain a legitimate operational position by establishing relationships with their publics.

As attaining the license to operate from society is crucial, organisations have to understand societal culture. Dowling and Pfeffer (1975) emphasise legitimacy as cultural conformity rather than overt self-justification in that different societal cultures react differently under the same situation. That means legitimacy represents a reaction of observers to the organisation. Thus, organisations need to meet societal expectations, which are culturally bound. From the concept of a risk society, apart from observing cultural influences, the publics' perception is also influenced by scientific and expert knowledge which society depends on. In other words, legitimacy is socially constructed by a collective of audiences.

Consequently, an organisation may deviate from societal norms and individual values yet retain legitimacy. According to Suchman (1995), these organisations are able to retain their state of legitimacy as the divergence either goes unnoticed or draws no public disapproval. An "organisation could adapt its output, goals and methods of operation to conform to prevailing definitions of legitimacy" (Dowling & Pfeffer, 1975, pp. 126-127; see also Metzler, 2001a; Metzler, 2001b; Milne & Patten, 2002) and communicate the adaptation to society. For example, when society is sensitive towards environmental issues, organisations could adapt their products and practices to be more environmentally-friendly, and communicate their effort so that they get society's support. On contrary, Dowling and Pfeffer (1975) also claim that companies can attempt through communication to "alter the definition of social legitimacy so that it conforms to the organisation's present practices, output, and values" (pp. 126-127). In this case, companies could use social reports as a proactive instead of a

reactive tool to challenge prevalent definitions of legitimacy (see also Pesqueux & Damak-Ayadi, 2005).

Realising that the state of organisational legitimacy is intangible, organisations face challenges in managing their state of legitimacy. Suchman (1995), O'Donovan (2002), Lindblom (1994) and Neu et al. (1998) highlight three general challenges: gaining, maintaining and repairing legitimacy. Lindblom (1994) and Neu et al. (1998) identify four strategies that organisations adopt in obtaining, maintaining and repairing legitimacy. First, in an attempt to address a legitimacy gap, organisations educate and inform their publics about actual changes of the organisation's activities. Secondly, organisations may attempt to change public misperception of the organisation without changing their actual operations. Thirdly, organisations may manipulate public perception by diverting attention away from a particular issue. Fourthly, organisations may alter public expectations to suit organisational operations (see also Deegan et al., 2002). These four strategies can be achieved through social disclosure (Lindblom, 1994; for examples, see Cormier and Gordon, 2001; Deegan et al., 2000; Metzler, 2001a; 2001b; O'Donovan, 2002; Suchman, 1995; and Yongvanich & Guthrie, 2007). O'Donovan (2002), however, highlights that regardless of the challenges, disclosure in the annual reports is a public relations exercise intended to alter public perception. Therefore, no consensus has been reached regarding the best way to meet legitimacy challenges.

Regardless of the purpose of the corporate response which is either to obtain, maintain or repair legitimacy, organisations generally employ careful communication strategies to manage societal perceptions (Brown & Deegan, 1998; Nasi & Nasi, 1997; Neu et al., 1998; Patten, 1991). Public relations activities are the core organisational legitimacy communication strategy (Metzler, 2001; Nielsen & Thomsen, 2007). As a public relations tool to address organisational legitimacy, the usage of social reporting can be witnessed by several longitudinal studies (see, for example, Campbell, Craven, & Shrides, 2003; Campbell, 2000; Guthrie & Parker, 1989a; Hogner, 1982). Deegan et al. (2000) insisted that any corporate changes taken

should be accompanied by disclosure; otherwise, the intended audience would not be made known of the changes and would still engage in behaviour that will not be in favour to the organisation. It is futile for an organisation to take corrective actions based on societal expectations without informing the society about the changes (Deegan et al., 2000). Public relations through corporate social disclosure is applied to narrow the legitimacy 'gap' (Campbell, 2000).

However, reporting strategies to attain legitimacy may have a counter-reaction response (Milne & Patten, 2002; Ashforth & Gibbs, 1990). Ashforth and Gibbs (1990) found that Midwest, a USA company, was punished by its investors due to its additional disclosure of expenditure on pollution abatement equipments. Its investors viewed this type of expenditure as an unnecessary cost. This scenario portrays how the effort to attain legitimacy can produce an offsetting effect. The disapproval was due to the negative effect on short-term returns to investors. Legitimacy disclosure strategies are effective depending upon whether investors adopt a short or long-term view of their investment (for more examples, see Milne & Chan, 1999; O'Dwyer, 2002). These studies conclude that avoiding social reporting could invite fewer problems.

Although the concept of organisational legitimacy is currently the most widely adopted approach in understanding corporate social reporting (Gray et al., 1995; Hooghiemstra, 2000; Nielsen & Thomsen, 2007; O'Donovan, 2002 see also Adams et al., 1998), it does not provide an overall explanation of organisational motivation for engaging in corporate social reporting. Besides being outwardly (external stakeholder) focused, corporate social reporting very much depends on internal managerial decisions. Managerial perception determines the need for and type of strategies adopted in managing legitimacy. Wilmshurst and Frost (2000) found a significant relationship between managers' decision making processes and environmental disclosure of their corporations. Managers choose whether to acknowledge certain issues as well as to have different strategies to addresses issues based on their perceptions (Deegan et al., 2002). According to O'Donovan (2000),

the perceived impact on the organisation influences managerial disclosure decisions. In other words, managers are ready to disclose more when they perceive the magnitude of certain issues affecting their organisations negatively to be greater. Adams (2002) recognises the increasing research interest in internal factors (e.g. management's decision) influencing corporate social reporting but highlights the lack of a concrete explanatory theory for social reporting.

However, managerial perception is significant because perceived legitimacy gaps determine reporting decisions. As the breach of social contract is based on managerial perceptions, organisational legitimacy depends on the precision of perception (Deegan, 2002). Wilmshurst and Frost (2000) researched factors perceived as important by Chief Financial Officers' (CFOs) disclosure decisions and the observed environmental information disclosed in the annual report. They found the most important factor considered by CFOs is the shareholders' or investors' rights to information as opposed to stakeholder's needs preached by the stakeholder and legitimacy perspectives.

Thompson and Zakaria (2004) explain that the level of social reporting is low in Malaysia because senior managers do not perceive their companies to have a significant impact on the environment. For example, Gray et al. (1995) observe the types of information perceived as important for financial users, for example, financial analysts, bankers, loan creditors, etc (see also, for example, Chenall & Juchau, 1977; Firth, 1978; Harte et al., 1991; Thompson & Cowton, 2004). These studies found that there is some evidence of interest among the financial community with regard to social information but no sign that these groups of users are particularly interested in using social information as a measurement for decision-making (Thompson & Cowton, 2004).

Gray and Bebbington (2001) voice their disappointment that the financial community does not regard social reporting as a significant contributor to their decision-making process as the economic sphere holds significant power in capitalism. This group of

stakeholders does not seem to be pressuring companies to report on their social performance even though they are capable of influencing the development of social reporting. Accountants and investors are more interested in information that is related to financial performance instead of social performance as findings indicate that narrative social information was not significant in the analytical decision making process. Besides financial users of social reports, Thompson and Zakaria's (2004) content analysis of 250 large organisations found that the lack of government and public pressure explain the infancy stage of social reporting in Malaysia.

As explained above, the use of organisational legitimacy to explain social reporting is still challenged. The shortcomings are due to the complexity of legitimacy involving many variables which cannot be easily measured and controlled (Campbell et al., 2003). According to Guthrie and Parker (1989b), the legitimacy perspective explains only environmental reporting but lacks the capability to explain other variables of social reporting. Campbell et al. (2003) explained that some companies do not regard social reporting as a method for managing legitimacy (see also, Deegan & Gordon, 1996). But even if social reporting is used to manage corporate legitimacy, the volume of reporting is determined by management perception and accuracy of the legitimacy gap.

The expectation for a single theory to explain social reporting is ambitious. According to Deegan (2000), no single framework or theory can completely explain human decision making. In this thesis, the concept of legitimacy is complemented by other concepts in explaining the motivations for corporate social reporting in Malaysia.

2.5 PUBLIC RELATIONS MOTIVATIONS

This section discusses how organisations apply specific public relations concepts in corporate social reporting to influence stakeholders in order to achieve the desired state of legitimacy. The concept of issues management will lead the section, followed by internal and external communication, and corporate image and identity.

2.5.1 Issues Management

In order to achieve the desired state of legitimacy, public relations practitioners manage issues faced by their organisations. Issues management, coined by Howard Chase in 1976 (Wartik & Heugens, 2003), is a public relations' proactive function that identifies, monitors, analyses and manages relevant issues that emanate from the turbulent struggle between the interests of the state, civil society, and the economy (Heath, 1997). Public relations practitioners manage issues faced by organisations that have direct or potential effects on their operations which may mature into public policies (Daugherty, 2001; Heath, 1997; Seeger, Sellnow, & Ulmer, 2001). In other words, before an issue reaches the legislative or regulatory stages of public policy formation process, issues management plays a proactive organisational role in public policy formation (Cutlip et al., 1994). Public policies influence organisations either positively by providing incentives, subsidies, etc. or negatively by imposing new compliance standards, taxes, etc. (Baysinger, 1984; Hillman & Hitt, 1999). Consequently, the rationale for practising issues management is to influence public policies toward organisational advantage.

According to Cutlip et al. (1994), issues management involves two main elements: early identification of issues, and strategic responses to the issues. These two elements include corporate strategic management, sharpening strategic plans,

improvising operations, and then communicating in a way to foster harmony with relevant publics as well as preventing new legislation.

Social reporting is an issues management tool as it is “designed to set and shape the agenda of debate and to mediate, suppress, mystify and transform social conflict” (Guthrie & Parker, 1989, p. 351; see also Tinker & Neimark, 1987). Companies in the UK engaged in social reporting to reinforce their anti-legislative stance (Adams et al. 1998). Corporate social reporting is seen to reduce external or public demands for greater controls that impede corporate freedom. Therefore, the government sees corporate social reporting as a justification for not introducing more legislation or regulations. Consequently, corporate social reporting is acknowledged as a useful way to support the government’s ‘free-market’ ideology. Government in the UK would like the market to appear to be as free as possible from government intervention. According to Tinker and Neimark (1987), corporate reports are not merely “passive describers of an ‘objective reality’ but play a part in forming the world-view or social ideology...” (p. 72). Proactive corporate social reporting is treated as an effective way of pre-empting legislation to show that it is not needed.

Following this idea, Adams and Kuasirikun (2002) find that German companies are not overly concerned about reporting more but are more troubled with the introduction of new environmental compliance that imposes financial burden. Therefore, besides reporting based on legislative requirements, German companies report to forestall the introduction of new regulatory compliances. They regard these regulations as dampening their competitiveness as compared with companies in other European countries. Consequently, instead of allowing legislation to determine social reporting, German companies are reporting voluntarily to reduce regulation in order to manage costs (see Roberts, 1991). Besides incurring costs of new regulations, companies also incur penalties and legal costs for non-compliance, and costs of expensive capital refits (Bansal & Roth, 2000; see also Rodriguez & LeMaster, 2007). For example, Deegan and Rankin (1997) find a positive relationship between prosecutions of environmental offences and environmental reporting. In addition to

costs, mandatory requirements impede market and voluntary measures and innovative response (see Bansal & Roth, 2000; Williamson and Lynch-Wood, 2008). Therefore, most corporations would prefer voluntary action as opposed to government regulations (see also Adams, 2002; Meiklejohn, 2007). Rodriguez and LeMaster (2007) argue that social reports should remain voluntary as it is difficult for investors to analyse varying definitions of CSR and nonuniform disclosure methods.

Some 'visionary' firms may anticipate significant issues and take pre-emptive actions and may actually lead societal expectations (Zygidopoulos, 2003). Organisations are able to participate in framing the attention of the publics in the earlier stages of an issue by engaging in continuous and committed interaction with the public (Saiia & Cyphert, 2003). For example, the Body Shop has been leading societal expectations on animal testing. The Body Shop makes sure that all ingredients used in manufacturing its products have not been tested on animals for at least the last five years. The early identification of issues becomes an opportunity for the organisation. The earlier an organisation identifies potential threats, the more options it will have (Post, 1978) and the more influencing power it has on the outcome of an issue (Johnson, 1983). Here, issues are not necessarily threatening but favourable (Bridges & Nelson, 2000).

The relationship between issues management and legitimacy is formed when organisations practise issues management to achieve legitimacy (see for example, Metzler, 2001a; Zygidopoulos, 2003). For this reason, Baskin et al. (1997) insist that it is prerequisite for public relations practitioners to have thorough knowledge of the environment in which the organisations they serve reside. Organisational response to evolving public expectations is crucial and this is part of the public relations' issues management function (Lesly, 1998; Pratt, 2001). The management of issues is important because they revolve around stakeholders (Bridges & Nelson, 2000; Grunig & Repper, 1992).

The modus operandi of issues management is not merely to influence public perception but also to amend organisational operation. As a public-driven exercise responding to public interest, two-way symmetrical engagement (Grunig, 2001) is (ideally) conducted with the organisations' relevant stakeholders in a dialogic communication fashion. Participants engage with each other to better comprehend each other's expectations and to lessen conflict (Pratt, 2001). The dialogical approach of issues management between organisations and stakeholders satisfies Frooman's (1999) definition of stakeholder theory: "stakeholder theory is about managing potential conflict stemming from divergent interests." (p. 193). It is aimed at continually narrowing the gap between the emerging public's and organisation's goals (Lesly, 1998). Mahon and Heugens (2002 in Wartick and Heugens, 2003, p. 15) claim that "stakeholders and issues represent two complementary sides of the same coin".

Publics that are involved in a participative, positive and continuing relationship with organisations before the development of a conflict will be more willing to understand the organisation's stand point, to accept and negotiate organisational operational changes (Johnston & Zawawi, 2000). Besides that, the publicity of engagement through dialogue will become part of the organisation's public relations practice. Dialogic communication harnesses positive public reputations (Day, Dong, & Robins, 2001) which are beneficial to the legitimacy of an organisation. In addition, an organisation applying issues management will be perceived to be different from its competitors and is able to associate itself with positive attributes. Organisations accumulate goodwill when they are perceived favourably by their stakeholders (Heath, 1997). Therefore, issues management addresses the concerns of the public so that organisations engage in corporate activities to maintain relevance to public expectations (Everett, 2001; Johnston & Zawawi, 2000; Moore, 1996).

The proactive nature of issues management also helps organisations in preventing crisis. Seeger et al. (2001) state that issues management "act[s] to diffuse some crisis before they erupt" (p. 156). According to Heath (1997), predicting and managing

issues fit in well with the organisation's strategic planning and decision making, which all aim at helping the organisation achieve its goals while eliminating threats (see also, Cropp & Pincus, 2001; Grunig & Repper, 1992; Pratt, 2001). This is because management is taking steps to prevent crisis by making informed decisions which take into consideration the knowledge of issues (Moore, 1996).

However, issues management faces difficulty in obtaining management support because it is difficult to justify predictions of issues, and to gauge the magnitude of issues. Consequently, management may not allocate the required time and resources to manage issues including maintaining positive relationships with publics (Johnston & Zawawi, 2000). In addition, as a function of public relations, issues management faces management scrutiny as it is unable to link its achievement directly to organisational profits. The lack of management support is further explained when issues management is misunderstood to be a crisis management tool. Issues management is an organisational proactive, as opposed to reactive, function (Moore, 1996) to prevent and not manage crises. When issues management is applied to systematically scan the organisational environment, few potential crises or missed opportunities should arise (Johnston & Zawawi, 2000). For the reasons discussed above, organisations involve corporate social reporting as an issue management tool to proactively manage their stakeholders' perceptions and to attain organisational legitimacy.

The scanning of the corporate environment for issues is not limited to external stakeholders. Organisations also manage issues within their internal stakeholders. Consequently, social reports communicate not only to organisational external stakeholders but also to internal stakeholders, blurring the distinction between internal and external communication efforts as discussed in the next section.

2.5.2 Internal and External Communication

As discussed, organisations engage in varied communication activities to address potential issues affecting them. Issues management faces challenges when

organisations try to distinguish issues affecting their external and internal stakeholders (Finet, 2001) because some issues affect external as much as internal stakeholders. For example, gender and racial issues involve both the internal and external environment of an organisation. Therefore, communication to both sets of stakeholders is crucial. Organisations devote their communication efforts to reaching internal stakeholders when they recognise internal audiences (or organisational members) as part of their stakeholders.

This section discusses externally directed organisational communication (corporate social reporting) that is also directly or indirectly aimed at internal stakeholders. Cheney and Christensen (2004) give the example of how advertising messages serve as a medium both of external communication and of self-enhancement. This “process of organizing through which a communicator evokes and enhances its own values or codes” (Cheney & Christensen, 2004, p. 530) is termed auto-communication (see also, Lotman, 1977, 1991). The concept of auto-communication has been borrowed by sociology and anthropology where all societies communicate with themselves in a self-reinforcing manner (Cheney & Christensen, 2000; Lotman, 1977, 1991). Many organisations engage in auto-communication in the quest for building identity and for serving the growing need of organisational members for a sense of identity and belongingness (Cheney & Christensen, 2004; Scott, Corman, & Cheney, 1998). The concept of internal and external communication is explained when internal stakeholders are affected by messages that are deliberately communicated for external stakeholders. When competition is stiff and when the environment is saturated with messages, it is the less obvious and indirect messages that reach out more effectively (Cheney & Christensen, 2004; Christensen, 1997). In other words, the intended external communication is better able to reach internally. To illustrate, organisations report their social performance to attain external stakeholder support in public documents like social reports. In the attempt to garner external stakeholder support, the social reports at the same time reach out to the unintended internal stakeholders.

Corporate social reporting studies have been explicit in fostering external legitimacy. While most social reporting studies focus on external reactions for legitimacy, the

importance of internal legitimacy is taken for granted. Although employees are now recognised as human resources and their acknowledgements are crucial for maintaining legitimacy, not many social reporting studies have been conducted from this perspective. However, Hedberg and Malmborg (2003), in their study on Swedish companies adopting the Global Reporting Initiative (GRI), found that social reporting activities garner internal legitimacy. When the process of reporting to externalities is at the same time communicating to internal stakeholders, employee understanding of the organisation is enhanced. Therefore, corporate sustainability efforts in obtaining external legitimacy also at the same time gain internal legitimacy.

Public relations practitioners have begun to realise the effects of external messages on the organisation itself and its members (Cheney & Christensen, 2004). Traditional organisations that practise distinct external and internal communication are increasingly facing the challenge of maintaining them as separate fields as the boundaries between the two are increasingly blurring. This distinction is becoming more problematic as organisations engage in many forms of complex communication activities that are not distinctively circumscribed between its internal or external stakeholders.

As much as it is important to have external support, internal support is as important for organisations to remain functional (Allen & Caillouet, 1994; Lockwood, 2007; Oliver, 2001; Seitel, 2004). Internal communication is vital when organisations recognise internal stakeholder support as an issue. For example, staff dismissal due to advancement of technology as a result of industrialisation and the widening wage discrepancies among employees and key personnel have caused employees to be disheartened and dissatisfied with their management. In addition to employee dissatisfaction, organisations realise the value of intellectual capital with the advancement of an information economy. According to Seitel (2004), organisational assets are “very much in the heads of their employees” (p. 206). Employee refusal to be ‘disciplined’ and ‘submit’ to authority and bureaucracy have made employees a

management issue. Hence, industrialisation and changes in the cultural human settings have altered management styles.

Management takes persuasive leadership measures to gain employee support (Cheney & Christensen, 2004). Alvesson (2004b) calls the effort to satisfy internal customers (employees) as “internal marketing” (p. 166) rendering employees an important audience for corporations’ issues management.

The need for a consistent message is imperative as the boundaries of organisational communication are not confined by physical constraints. Organisational members possess multiple identities and may disclose internal organisational information to the external environment. Apart from being employees, they are also customers, investors and part of the local community. As employees are “organisational ambassadors”, their exposure is unavoidable. Employees’ own image projection is a kind of unintended exposure (Rindova & Fombrun, 1998). Thus, it is crucial that organisations communicate a consistent identity and image to their stakeholders. In order to communicate one desired identity, organisations seek to integrate both their internal and external activities. Alvesson (2004a) and Ashforth and Mael (1996) stress that organisations communicate externally and internally when internal and external messages are closely intertwined. For example, when organisations remind consumers of their corporate identity, they are also at the same time reminding their employees. In other words, while convincing external stakeholders, organisations are at the same time convincing their internal members (Cheney & Christensen, 2004).

In conclusion, besides acknowledging externally directed communication to gain external support, organisations have to also acknowledge the importance of gaining the support of organisational members to maintain the desired state of legitimacy. Management has to realise that intended messages do reach unintended audiences. Therefore, managements need to carefully craft their communication efforts and this can be achieved via social reporting. One way of gaining both external and internal stakeholder support is to design a coherent, favourable corporate image and identity.

The next section explores corporate image and identity in relation to corporate social reporting.

2.5.3 Corporate Image and Identity

As discussed earlier, societal perception is a crucial element in the concept of organisational legitimacy. When societal perception of an organisation is based on its identity (Ind, 1995; Kitchen, 1997), organisations seek public relations tools in crafting an identity that is congruent with societal values in order to exist legitimately. Whether an organisation is deemed legitimate is largely based on the image that the stakeholders have of the organisation. As corporate social reporting is employed by corporations to affect publics' perceptions of the corporation (Brown & Deegan, 1998; Nasi & Nasi, 1997; Neu et al., 1998; Patten, 1991), it functions as a public relations tool in managing corporate image and identity to produce and transform desirable identity that may assist organisations in meeting public expectations.

In order to explain the significance of image and identity in corporate social reporting, it is important to first understand these concepts. Corporate image is how an organisation is perceived in the eyes of the public (Ind, 1995; Kitchen, 1997). It is an impression of the organisation by the publics or "what the organisation looks like from the outside" (Stone, 1995, p. 66). It is formed by publics' aggregate experiences and publics' messages rather than by what the organisation is trying to portray. Organisations can relay their intended images to the public but it is ultimately the public that processes them (Moffit, 2001). Thus, image is a set of meanings by which the organisation is known, in which people describe, remember and relate to it. It is the publics' 'mental image' of the organisation and its products and services (Kitchen, 1997). Most of these images are unplanned (Stone, 1995). Images of a corporation are formed as corporations continuously communicate either deliberately by advertisement, press releases, events, reporting, etc or unintentionally through

customer service, training, leadership, etc representing “everything it says and does” (Ind, 1995, p. 234).

Although the concepts of organisational image and identity are complementary, organisational image is more favoured by management. Pruzan (2001) explains this claim by looking at corporate reputation from two perspectives: the pragmatic and the reflective perspectives. Corporate image is regarded as the pragmatic, or rational, perspective of corporate reputation. According to this perspective, corporate success is defined in terms of economic well-being. Therefore, its main concern is the qualities imputed by stakeholders. The growing expectations of stakeholders have motivated corporate leaders and public relations practitioners to protect and improve favourable corporate image based on stakeholder expectations (Tubiolo, 2000). As a result, good stakeholder relationships are observed for maintaining the organisational licence to operate.

Corporate identity, on the other hand, is an organisation’s strategic planning of self-representation in the form of desired image (Balmer & Gray, 2000). According to Meech (1996), corporate identity is the most visible element of organisational corporate strategy. Every organisation possesses its own corporate identity which is manifested in the corporate identity mix consisting of symbols, corporate communications and behaviour (Kitchen, 1997; van Riel, 1995). This mix distinguishes one corporation from another. Organisations manage their corporate identity mix to establish favourable and unique reputations with their stakeholders. Cheney and Christensen (2004) state that organisations must work towards establishing their unique “self” (p. 513). Organisations’ aim is to garner stakeholder support in terms of purchasing their products and services, working for them, as well as investing in them (see Balmer, 1995; van Riel, 1995; van Riel & Balmer, 1997).

Pruzan (2001) categorises organisational identity under the reflective perspective. Organisational identity is reflective as its focus is on the character of the organisation, the “what is” and “what should be” rather than outward communication effort

(Pruzan, 2001, p.50). The reflective perspective deals with the fundamental existence of the organisation. Corporate identity has the potential to flourish as an organisational asset when it is managed properly (Meech, 1996). Identity management is a highly proactive activity of an organisation (Cheney & Christensen, 2004). In order to achieve the desired identity, senior managers supervise the corporate identity mix to narrow the gap between the desired and the actual corporate identity (image) (van Riel & Balmer, 1997).

Therefore, it is important for organisational leaders to focus more on fundamental organisational-existential questions to portray a strong and consistent identity. Although corporate image has always been the central attention for most organisations, the deeper level identity of an organisation may also appear to accompany it. Here, the reflective perspective supports the pragmatic perspective by the attachment of deeper meanings to corporate image. As the pragmatic perspective has always been the centre of attention for most corporate leaders, organisational flexibility and responsiveness towards their external audiences is valued as compared to organisational identity (Cheney & Christensen, 2004; Christensen, 1995). As a result, Gorman (1994) adds that it is challenging to sell the concept of organisational identity to management.

The relationship between corporate image and identity is formed when public perception is influenced by an organisation's self-representation effort. As mentioned earlier, corporate image is the perception publics have of an organisation. When we manage image, we manage public perception, for example through information dissemination. Thus image (perception) becomes intertwined with identity.

Identity and image management receive many criticisms. Identity management is perceived as an avenue for deception and manipulation (Grunig, 1993). This is evident as companies are found to report more positive coverage around the time of negative events (Deegan & Rankin, 1996; Deegan et al., 2000). According to Newsom, Vanslyke Turk, and Kruckeberg (1996), image management is often

misused and misunderstood. The stereotypical stance on organisations' exploiting identity and image management is itself harmful to management's reputation. Organisations are cautious about admitting to identity and image management.

In order to avoid the impression of carrying out "superficial symbolic activities" (Grunig, 1993, p. 121), many organisations manage images by forming relationships with their publics (Grunig, 1993). Alvesson (2004a) argues that image exists between senders and audiences and is the result of the projection between the two opposites. This dialectic approach between organisation and public is a favourable approach for image work (Avenarius, 1993; Grunig, 1993). The agreement between Avenarius (1993) and Grunig (1993) is the preferred dialogical approach of social interaction.

The dialogical approach of corporate identity construction is explained in greater detail in The Organisational Identity Dynamics Model (Hatch & Schultz, 2002; 2004b). The model concludes that organisational identity is formed by the dynamics of both organisational culture — the tacit organisational understanding — and organisational image. According to Jenkins (1994), "it is in the meeting of internal and external definitions of an organisational self that identity...is created" (p. 199). This process makes organisational identity a dynamic social process.

As a public relations tool, corporate identity faces the same predicament as public relations as it also lacks management buy-in. However strong a corporate identity is, it cannot be measured in financial terms. As a result, corporations find it hard to substantiate this "invisible" asset (Meech, 1996). Gorman (1994) recognises the challenges for corporate identity programmes: "In a number of cases, the CEO assigns a low priority to corporate identity. Often the corporate communications director, or an outside consultant sees the need for a corporate identity. That individual then needs to sell the concept to management" (Gorman, 1994, p. 40).

However, both corporate identity and image now are central issues of many organisations (Cheney & Christensen, 2004). In the market of stiff competition and

uncertainty, organisations establish mutually satisfactory and effective relationships with their stakeholders. As corporate images cannot be controlled, corporations are influencing them by way of identity production (Motion, 1997).

Realising the need for developing favourable image and identity, management struggles to manage issues in its surrounding environment. An organisation that is perceived to be sensitive to its stakeholders' expectations and different from its competitors establishes a strong favourable corporate image and identity. A positive corporate image functions to attract, hold (Pruzan, 2001) and motivate (van Riel, 1995) employees. Employees would like to feel that they work for a corporation that holds values congruent with their values. They would also like to feel that their current job offers an avenue for personal development and a place to carry out meaningful work. Employee commitment is supported by Abdeen (1991), who recommended including statements of organisational social responsibility commitment into corporate annual reports to increase trust and loyalty of both employees and consumers.

Although corporate image is the most prevalent public relations concept to explain social reporting motives (see, for example, ACCA, 2004; Adams, 2002; Gray et al., 1988; Nik Ahmad & Sulaiman, 2004), not many social reporting studies address corporate image explicitly. One of the most explicit applications of public relations theory (under the name of corporate communication) in social reporting is by Hooghiemstra (2000) and Gray et al. (1988). Gray et al.'s (1988) study regards corporate social reporting as an image enhancing tool to attract only investors.

However, this narrow scope of stakeholders is also the findings of ACCA's (2004) report entitled "The State of Corporate Environmental and Social Reporting in Malaysia". In this report, ACCA found the reporting figures have escalated from 43 to 60 (7.8 to 10 percent) companies reporting social performance in 2002 and 2003 respectively. In the survey findings the majority of senior management regard enhancing and maintaining corporate reputation or brand as the main reason for

reporting. Nik Ahmad and Sulaiman (2004) also found that Malaysian companies treat annual report disclosure as a public relations tool to impart favourable images to their publics. However, these studies do not draw connections between the concepts of image and legitimacy, although they found companies reporting only on neutral and good news to garner favourable reputation (which partly supports the legitimacy concept). This thesis helps fill the theoretical gap in the social reporting literature.

2.6 CONCLUSION

This chapter of the thesis pulled together the theoretical threads that inform understanding of the data analysis to link corporate social reporting in Malaysia. It is divided into two levels: societal and organisational. While the concepts at the societal level provide an overarching perspective of explaining corporate social reporting, the concepts on the organisational level discuss the primary motivations. Political Economy theory provides a platform to discuss the nature of economy and its interdependence with the political arena. It is explained here that social reporting is determined not only by business forces but is also influenced by the political arena. The theory of a risk society presents a situation where society now faces modern risk and social reports play a role in either preventing or promulgating the modern risk.

At the organisational level, public relations concepts are applied to explain organisational motivation for corporate social reporting. Organisations employ corporate social reporting to garner stakeholder support so that they continue to operate legitimately. With organisational legitimacy the focus, organisations, through public relations, apply issues management, internal and external communication, and image and identity management to garner stakeholder support. Although some of the concepts applied in this framework are also previously used in several social reporting studies, this thesis emphasises the absence of explicit public relations concepts in social reporting literature. Therefore, the intention of this thesis is to fill the gap from the public relations perspective.

CHAPTER 3

THE MALAYSIAN SOCIO-POLITICAL

AND ECONOMIC CONTEXT

This chapter explains the social, economic and political environment in Malaysia. The understanding of the Malaysian environment is relevant as this study embraces the political economy perspective as the overarching theoretical framework. According to this framework, there is a need to understand the various forces (social, economic and political) at work that constitute the business environment. This is because business practices do not operate in a vacuum (Tinker, 1980). The comprehension of social, economic and political environment is particularly interesting in Malaysia as the government has an especially strong influence on the nation's economic development. According to Handelman (1996), developing nations (such as Malaysia) will continue to experience more authoritarian governmental systems unless they have attained a minimal threshold of socio-economic development. Besides social, political and economic development, this chapter also offers an explanation of Malaysia's standing on the natural environment through corporate motivations to engage in social reporting.

The chapter begins by briefly introducing the political history of Malaysia. It then illustrates the role of the government in the nation's economic development with its various plans and policies. The chapter proceeds with a concise explanation of the Malaysian government's standing on the natural environment. The last section explores social development amidst the emphasis on economic development in Malaysia.

3.1 A BRIEF POLITICAL HISTORY OF MALAYSIA

With a rich and diverse background of colonisation, Malaysia is today a country whose society and customs are derived from three major cultures consisting of the Malays, the Chinese and the Indians. The Malays, or Bumiputra (“sons of soil”), are indigenous to Malaysia, whereas the Chinese and Indians immigrated to meet the needs of the colonial economy – working in tin mines and rubber plantations – created by the British in the Malay Peninsula and North Borneo (Parkes, 1994; Ryan, 1969). It was no smooth ride after Malaya (the then Malaysia) gained independence from Britain in 1957. In 1963, Tunku Abdul Rahman, the first Prime Minister, named the country Malaysia, when he invited North Borneo, Sabah and Sarawak, together with Singapore to join Malaya in a federal union. The merger with Singapore did not work out satisfactorily and in 1965, Singapore peacefully seceded from Malaysia (Wilkinson, Blanchard, & Lu, 1999).

The immediate problem after Malaysia gained independence was to determine a national identity. Malaysia has since then sought to form a common national identity while retaining individual races’ ideologies and beliefs (Holden, 2001). However, racial tension sparked for the first time in 1969 after the non-Malay-supported parties won significant seats in the election. The Malays initiated a riot, which swept through Kuala Lumpur (the country’s capital) and lasted for four days, leaving 200 people dead and 500 homeless (Wilkinson et al., 1999). The country was declared a state of emergency for two years (Parkers, 1994). The main reason behind the riot was the Malays’ economic hardship, perceived as a consequence of the Malaysian-Chinese dominating business and trade during the days of British colonisation.

Following the riot, Malaysian political history was irreversibly altered as precedents were created for more stringent direct government involvement in the management of the country’s socio-politic and economic structures. Especially evident was a less patient and negotiative approach towards racial relations (Holden, 2001). One of the

steps taken by the government, controlled mainly by the United Malays National Organisation (UMNO) party, was to pass the New Economic Policy in 1971. The aim of the policy was to increase economic opportunity of the Bumiputras by establishing quotas in the business and educational system in their favour (Parkes, 1994). In this sense, Malaysia had adopted a political system skewed towards an authoritarian style.

Although adopting an authoritarian political system, the multiethnic Barisan Nasional (National Front coalition), consisting of the UMNO, the Malayan Chinese Association (MCA), the Malayan Indian Congress (MIC) and a few smaller political conglomerates, has since 1955 been maintaining the nation's political balance. This alliance represents the three major races in Malaysia consisting of the Malays, the Malaysian-Chinese and the Malaysian-Indians, which comprise 65, 26 and 8 per cent of the total population respectively (Department of Statistics, 2001).

With the government playing the lead role in managing the economic and social development into a united Malaysia (Yogeesvaran, 2004), it is interesting to investigate how Malaysian businesses operate, with regards to corporate social reporting, in an economic environment with significant governmental influence.

3.2 THE ECONOMY

This section discusses the role of the government as the major catalyst of the economic environment in Malaysia. The subsections offer explanations of major guidelines and policies introduced by the government to boost the economic development efforts of the nation.

3.2.1 The Role of the Government

Malaysia, like most developing countries, is essentially a country that practises a mixed economic system with selective and active government participation.

According to Handelman (1996), Malaysia has enjoyed spectacular economic growth on an average of 7 per cent for the past 20 years (1970-1990) in an almost authoritarian governmental system. The economic growth for the past 15 years for the period 1990 – 2005 is on the average of 6.32 per cent (World Bank, 2008). The Malaysian government has formed numerous policies and plans to guide management of national development during the period 1970-2020. According to the Economic Planning Unit (EPU) (2004), in a non-homogenous country, government intervention in the market place is necessary to ensure national unity by fairer distribution of incomes and opportunities among all ethnic and social groups. Malaysia's development is basically guided by core national policies, long-term, mid-term, annual and special development plans, and sectorial and industry-specific master plans (Economic Planning Unit, 2004)

The core national policies are the most important as they form the overriding policies that guide all other policies and plans. They are the New Economic Policy (NEP, 1970-1990), the National Development Policy (NDP, 1991-2020) and the National Vision Policy (2001-2010). Complementing them are Vision 2020 (1991-2020) and the National Economic Recovery Plan (NERP, 1998).

Long-term plans are operational plans for NEP and NDP. They consist of the Outline Perspective Plans (OPP) spanning 10 years. These long-term plans provide broad macroeconomic prospects and set the national development agenda for the period in broad terms. Overall broad themes were designated for each of these long-term plans. The first OPP (OPP1, 1970-1990) was for growth and stability; the second OPP (OPP2, 1990-2000) was for balanced development; and the current OPP (OPP3, 2001-2010) is for strengthening competitiveness and resilience.

Under the framework of the OPPs and medium-term plans, the Malaysia Plans, which cover five years each, are key working documents for the implementation of the government's development plans. Malaysia is currently on its ninth plan, 2006-2010. The Ninth Malaysian Plan concentrates on the socio-economic development of the

nation. Malaysia's initiatives to enhance national economic competitiveness and resilience will continue to be given high priority. These policies and plans will be discussed in greater length below chronologically.

After gaining independence from the British in 1957, Malaysia is still basically a nation relying on imports. Realising the need for development, Malaysia is committed to industrialisation. As a result, in the 1960s, Malaysia focused mainly on import-substituting industries such as food, beverages, tobacco, printing and publishing, building materials, chemicals and plastics (Windows to Malaysia, 2001). Under British rule, the economy was largely dependent on tin and rubber, which were susceptible to price fluctuation in the world market and which added to the income disparity problems of the population. The need to diversify was prominent. Consequently, diversification was initiated in terms of expanded crop types from rubber to other crops such as palm oil and pepper. The need to industrialise also witnessed gradual transformation from a predominantly agricultural economy into industries, trade and services (Mohd Sharkan, 2002). The government supported this effort by facilitating a favourable climate for private investment by providing tax incentives and infrastructure. The government's role as a catalyst and facilitator for the private sector remains today. For example, The Pioneer Industries Ordinance 1958 (income tax relief) is replaced with the Investment Incentives Act 1968 providing a wider assortment of tax incentives. In the 1960s the private sector assumed the leading role in determining the pattern of industrial growth to basically fulfil the needs of the domestic market then.

Due to the limitations of the domestic market and the high unemployment rate, the industry switched from an import-substituting industry to an export-oriented and labour-intensive industry in the 1970s. It was in this period that the introduction of the New Economic Policy (1971-1990) to combat the racial economic imbalance of wealth ownership took effect. However, the lack of domestic capital, expertise, and technology hindered industrial progress. As a result, Malaysia welcomed Foreign Direct Investment (FDI) in this era. Overseas investment promotion missions were

organised. In order to facilitate the growth of industrialisation further, the government provided more infrastructures such as the introduction of the Free Trade Zone Act 1971 and the establishment of the Licensed Manufacturing Warehouse in 1974. The Industrial Coordination Act was introduced in 1975 to promote orderly industrial development in the country.

In the 1980s, industrial policy focused on widening and deepening the industry base and as a result, heavy industries were developed. Malaysia was not spared the effects of the world recession in the mid-1980s. Therefore, in order to continually support industrialisation and the New Economic Policy (1971-1990), the First Industrial Master Plan (IMP1) covering the period of 1986-1995 was drawn up to encourage greater economic expansion by accelerating growth in the manufacturing sector (Ministry of International Trade and Industry, 1986). The provision of a more conducive investing environment, and the development of technology, infrastructure and human resources under the IMP1, resulted in manufacturing becoming the leading growth sector in 1987 (Government of Malaysia, 1991b).

In 1983, the Prime Minister announced the concept 'Malaysian Incorporated Policy' (Economic Planning Unit), which marked the government's commitment to economic development. This policy aimed to increase the private sector role in the development of the Malaysian economy by gradually decreasing public spending and allowing market forces to govern economic activities with the aim of improving efficiency and productivity (Yogeesvaran, 2004). This concept encouraged both the public and the private sectors to adopt the nation as a corporate or business entity. Malaysia consequently became the world's leading rubber-latex products and oleo-chemical exporter. The manufacturing sector recorded a growth rate of 13.4 percent during the period of 1986-1990 (Government of Malaysia, 1991c).

However, the rate of growth of technology advancement, and research and development (R&D) was not level with the rapid economic growth. As a result, the emphasis on globally oriented, high-technology, capital-intensive, skill-intensive,

service-based industries, R&D and human resource development was outlined in the 1995-2005 Second Industrial Master Plan (IMP2) (Ministry of International Trade and Industry, 1996). Despite the continuous formulation of economic policies, the 1997 Asian Financial Crisis affected the Malaysian economy. The speculative East Asian currency attack affected the Malaysian Ringgit (RM, Malaysian currency). To counter the adverse effects, the National Economic Action Council (NEAC), headed by the Prime Minister, in January 1998 launched the comprehensive National Economic Recovery Plan (NERP) (Government of Malaysia, 1998). Policies and strategies were implemented instantaneously to revitalise the economy and lessen the impact of the crisis on the Malaysia's poverty reduction and restructuring programmes. The goal of NERP was "...to restore or re-establish confidence in Malaysia's macroeconomic stability" (Government of Malaysia, 1998, p.1).

In the urgent and critical need to revive the economy, the initial policy of tightening monetary policy, the imposition of greater fiscal restraint, and introduction of structural reforms in the financial sector were all highly deflationary and contributed to a severe and rapid economy contraction (Economic Planning Unit, 2004). The Malaysian government learnt a valuable lesson from the Asian Financial Crisis that despite having a low inflation rate, full employment, high savings, low external debt, surplus fiscal position at that time, Malaysia was not spared from the economic crisis. Development planners realised that the nation was not immune to emerging shocks. As a result of the successful NERP, development programmes are continuously formulated to further strengthen Malaysia's economic resilience and competitiveness (Yogeesvaran, 2004).

3.2.2 New Economic Policy (NEP)(1971-1990)

Development policies until the 1970s were mainly aimed at promoting growth with emphasis on the export market and the main role of economic development was anchored by the private sector. When the demand for labour to support the manufacturing sector rose, people from the rural areas, the majority of them

Bumiputra, were invited to fill vacancies in factories situated along urban cities. Because of financial disparity, this scenario created conflicts between the new migrants and the existing city community, the majority of whom were Chinese. These development policies were not designed to look at the distributional factors that cause socio-economic imbalances among the ethnic groups which had resulted in the nation's racial riot in 1969 (Government of Malaysia, 1981). As mentioned earlier, this event marks the point of apparent government intervention in the Malaysian economy when it realised the most crucial task at that time was racial integration and harmony.

As a result, the New Economic Policy (NEP) was introduced in 1971 as a signal of government active and direct role in economic and business activities. With NEP's sole goal of national unity in national development and nation building, two broad strategies were formulated. The first strategy of NEP, with its Outline Perspective Plan 1 (OPP1) (1970-1990) and five Malaysia Plans (1971-1990), was to eradicate poverty by raising income levels and increasing employment opportunities for Malaysians. The second strategy was to restructure the society and to correct economic imbalances to ultimately eradicate racial-economic identification. Both of these were economic strategies to achieve national unity.

Although social issues (national unity mainly) were the main concerns, rapid economic growth was a pertinent and a prerequisite condition in ensuring employment opportunities to eradicate poverty among the poor and other disadvantaged groups (Economic Planning Unit, 2004). The philosophical stance of the NEP was "growth with equitable distribution" (Government of Malaysia, 1981, p. 2) in that it stressed not only the importance of growth but growth for the benefit of all ethnic groups. The government realised such philosophy was crucial as conflict was inherent in a heterogeneous society. Although NEP expired in 1990, its ambitions were succeeded by the New Development Policy (NDP) in 1991 holding the same philosophical stance as NEP.

In summary, Malaysian poverty eradication policies of NEP and NDP were designed to emphasise income generating projects instead of welfare handouts. The aim was to encourage self-reliance among the poor to participate in mainstream economic activities. The government's introduction of NEP and NDP with their focus on national unity, poverty reduction, societal restructuring and economic growth gained widespread reception by the population as indicated by the popular political support for the National Coalition front, the Barisan Nasional. Barisan Nasional, the alliance political party representing the three major ethnic groups in Malaysia, received large majority votes in all general elections since 1970 (Economic Planning Unit, 2004). As a result, economic development continued to be emphasised during the era of NEP and NDP.

3.2.3 Vision 2020 (1991-2020)

Vision 2020 outlines Malaysia's development aspiration and goals within a 30-year development perspective. It is a vision of how Malaysia would like to be in year 2020 and the challenges put forth to make it a reality. It was conceived by former Prime Minister Mahathir in 1991 and now has become the nation's aspiration in terms of a public policy that,

by the year 2020, Malaysia can be a united nation, with a confident Malaysian society, infused by strong moral and ethnic values, living in a society that is democratic, liberal, and tolerant, caring, economically-just and equitable, progressive and prosperous and in full of an economy that is competitive, dynamic, robust and resilient (Government of Malaysia, 1991a, p. 5).

However, the achievement of this shared destiny and changes have been concentrating on the economic challenges (Wee, 2003). In order to achieve the desired status spelled out in Vision 2020, the expected economic growth target is about 7 per cent per annum for the next 30 years. By 2020, the economy will be eight times larger than when the Vision was first announced. This ambition is formidable

but Malaysia has a proven track record of 6.9 per cent growth rate over the past 20 years (1970-1990) and 6.32 per cent for the last fifteen years (1991-2005) (World Bank, 2008). Another target is also for Malaysia's per capita income to rise from US\$2,000 to US\$10,000, which is equivalent to an average of the Organisation for Economic Co-operation and Development (OECD) country's per capita income.

However, the ambitions of Vision 2020 fell short when the economic growth rate fell below expected average of 7 per cent per annum during the East Asian financial crisis in 1997 and again from 2001 through 2003. For these reasons, Malaysia's middle and long-term plans are geared towards compensating these periods of economic slumps. In that sense, to maintain Malaysia's competitiveness, it needs to "continually upgrade the quality of products and adopt the cheapest methods of production to withstand increasing global competition" (Wee, 2003, p. 3).

Although Vision 2020 includes more than economic performance, the economic goals have been the most emphasised as compared to the other challenges by far (Wee, 2003). As discussed, Malaysia's national policies have been mainly concentrated on economic development supporting the political economy perspective adopted by the theoretical framework of this thesis. In the sections below, the natural environment and social development will be discussed as they are also elements influencing the economy in Malaysia.

3.3 THE NATURAL ENVIRONMENT

In 1992, Malaysia, through the United Nations Conference of Environment and Development (Earth Summit), which took sustainable development as its central theme, signed the Rio Declaration on Environment and Development (Rio Declaration) and Agenda 21. The Rio Declaration aims to achieve international agreements to protect the integrity of the global environment with respect to development systems (United Nations, 1992) in its 27 basic principles while Agenda 21 specifies the implementation of them. At the same time, the Commission of

Sustainable Development was established at The Earth Summit to evaluate and monitor the implementation of Rio Declaration and Agenda 21 (ESCAP, 1999). Although Malaysia formally embraces these environmental treaties, the monitoring and implementation of Rio Declaration and Agenda 21 have been formidable tasks. The main reason is the weakness in linking the environment with development planning (Tan, 1998).

As Malaysia moves towards its industrialisation status depicted in its Vision 2020, implications of economic development efforts such as urbanisation and industrialisation activities have significantly impacted, and will continue to impact, the environment. Although industrialisation is important, Malaysia takes environmental concerns seriously. About 19.5 million hectares or approximately 60 per cent of Malaysia's total land area is under protected forest. Of that, 3.3 million hectares are wildlife sanctuaries, national parks, state parks and wildlife reserves (Economic Planning Unit, 2005a). Another example is Malaysia's support for the United Nation's Framework Convention on Climate Change (UNFCCC) where the Kyoto Protocol (KP) was set up to stabilise atmospheric concentrations of green house gases (GHG) at safe levels. In Malaysia, National Communication (NC), a steering committee chaired by the Ministry of Science and Technology (MOSTE), was set up to create an inventory of GHG emissions and assessment of probable impact on climate change (Mohd Sharkan, 2002). Initiatives have been taken to address issues and the implications for the nation's policies on sustainable growth and development.

However, the implementation of these international conventions on the national level faces intense challenges when environmental considerations are integrated into development planning. These challenges are due to the lack of governance, weak coordination between the specific authorities, lack of statutory instrumentation, poor implementation and enforcement of existing legislation, insufficient institutional capabilities and trained personnel, inadequate environmental awareness among the general public and poverty (ESCAP, 1999).

Having industrialisation as the regime of development, the government has to constantly make conflicting decisions against preserving the natural environment. For example, the need to industrialise has prompted the introduction of the First Industrial Master Plan (IMP1, 1986-1995). The goal of IMP was to develop the manufacturing sector and to impress upon private investors the governmental targets and goals of industrial development. In addition, the commitment also demonstrates the coordination of various governmental departments, agencies and ministerial functions in support of private-led growth industrial development (Ministry of International Trade and Industry, 1996). The economy through IMP1 and IMP2 (1996-2005) has contributed to the development of the industrial sector in the country. These plans did not specifically address environmental concerns. There were no means of examining the environmental impact of industrialisation policies and strategies. No appropriate mitigation effort was suggested in these plans. Even the IMP3 (2006-2015) does not include environmental concerns in its plan. This shows lack of coherence between industrial development and the environment. Although there were environmentally sustainable development strategies in the eighth Malaysia Plan (2000-2005), they were not at anytime the central theme; hence, environment management has been taken as a position to support economic development in Malaysia (ESCAP, 1999).

Apart from incorporating environmental concerns into industrial development, constitutional arrangements also pose a challenge in implementing environmental concerns. For example, the Forestry Department manages water catchments, soil protection, research and wildlife protection. However, environmental management also involves the Department of Environment (DOE) of the Ministry of Science, Technology and Environment (MOSTE). DOE deals with air and water quality, industrial waste, noise level and environmental impact assessments (EIA) (Tan, 1998). The DOE also carries out its responsibilities as spelled out in the Environmental Quality Act (EQA), which does not cover a wide range of natural resources sector like forestry, fisheries, mining and agriculture which comes under separate jurisdiction of other national ministries. As EIA cuts across many other

ministries, coherent development of policies across these agencies remains a challenge in Malaysia (Tan, 1998). Consequently, the concept of sustainable development faces challenges at the implementation phase when environmental management scope and authority are not clearly stipulated.

Malaysia also faces problems when it comes to federal and state government jurisdiction. The Federal Constitution of Malaysia gives substantial power over land use and natural resource management to 13 states. Apart from that, the Constitution guarantees certain privileges to the Eastern Malaysian states of Sabah and Sarawak. The federal government only has jurisdiction over land area stipulated in the Constitution. With this arrangement, the Department of Environment (DOE), under the federal government, consequently assumes a liaison and cooperative role with respect to the state. The division of jurisdiction imposes greater challenges for implementation of international treaty obligations. Although the federal government has the responsibility to accede to these treaties, the implementation of these obligations remains at the state level, which is governed by the state jurisdiction (Tan, 1998). As only the state has the power to legislate these matters, difficulty arises over environmental protection issues, in particular those related to forestry, land use, wildlife protection and hydroelectricity generation.

Apart from the federal-state jurisdiction challenge and the confusion of the span of authority among the government agencies, the limited role of NGOs is also a hindrance to the emphasis on environmental and natural resources management. Court cases in Malaysia have denied environmental NGOs the right to sue (Tan, 1998). NGOs face greater challenges when cases are brought to court because the degradation of air or water quality caused by environmental degeneration normally is not directly and instantly apparent. These challenges are especially so when Malaysian courts require plaintiffs to prove sufficient connection of causation to damage. In addition, the degree of concern for the environment varies widely (Mohd Sharkan, 2002; Tan, 1998) as Malaysians are driven by the need for economic development.

The task for environmental and natural resources management was made even more formidable by Malaysia's declaration of development in its own mould by 2020, emphasising economic developments. One example is the Eighth Malaysia Plan (8th MP, 2001-2005). The ramifications of the seventh Malaysia Plan (7th MP, 1996-2000) period, when the 1997 East Economic crisis hit the country, was much felt by the decline in GDP. As a result, the major focus was to continue strengthening the economy by sustaining economic growth through a knowledge economy with resilience towards challenges of globalisation and liberalisation (Government of Malaysia, 2001a). In the Ninth Malaysia Plan (9th MP, 2006-2010), the King propagated the continual focus on building a robust, resilient, fair, and just economic development which is a continuation of the 8th MP (Antara, 2005; Bernama, 2005; Leong & Ibrahim, 2005).

Although environmental and natural resources management efforts have been embraced by Malaysia, the "concept of sustainable development has not been adequately manifested beyond its value as a theoretical ideal" (Tan, 1998, p.10). They would remain as a complementary position to economic development as long as economic development continues to be the objective of the nation.

3.4 SOCIAL DEVELOPMENT

Besides continuing to derive its own model for growth and development in the economic sector, Malaysia also emphasises social development (Holden, 2001; Mohd Sharkan, 2002). However, Malaysia's social development is dependent on its development policies which emphasise equitable growth, national unity, eradication of poverty, restructuring society and economic growth. Although there might be traces of slight modification on newer policies, the core essence of the programmes remains. Malaysia's economy under its existing policies created new industries and foreign direct investments (FDIs) that sustained economic progress. A good indicator for the success of these new policies could be witnessed by looking at the nation's

GDP, income per capita, Gini coefficient and poverty rate. In terms of per capita income, the figure rose from US\$2,000 in 1990 to US\$4,740 in 2004 and to US\$6,900 in 2007 (Department of Statistics Malaysia, 2004, 2008). In 1970, Gini coefficient dropped from 0.513 in 1970 to 0.492 in 1997 (World Bank, 2004) and to 0.443 in 1999 (Government of Malaysia, 2001b). The Gini coefficient is an aggregate numerical measure of income inequality ranging from perfect equity (0) to perfect inequality (1) (Martins, 2007). Countries with relatively high unequal income distribution typically fall between 0.50 to 0.70 as opposed to countries with relatively equitable distributions which fall between 0.20 and 0.35. Malaysia's economic development programmes managed to lower the inequality level of income distribution.

Malaysia has also enjoyed considerable quality of life as a consequence of economic progress. Quality of life is represented by life expectancy, birth rate, infant mortality rate, death rate, primary school enrolment, teacher-pupil ratio, doctor-population ratio, ownership of television sets, cars and telephones, and total length of roads. Quality of life improvement was witnessed from 1970 through 1990 as the Malaysian Quality Life Index 2000 showed an increase of life quality of 100 in 1990 to 112.03 in 2000.

In the effort to curb poverty, Malaysia has adopted a multi-ethnic and culturally diverse poverty reduction regime. As spelled out in the NEP and NDP, economic development is seen as a pre-requisite for eliminating poverty and income distribution. Therefore, Malaysia has formulated three strategies to overcome poverty (Economic Planning Unit 2005a). The first strategy was to raise income of rural poor farmers and agricultural workers by increasing their productivity. The second strategy, with an emphasis on labour-intensive industries, was to absorb poor rural and urban workers. The third strategy was to channel public investment into education, health and basic infrastructure especially in rural areas. The effort to curb poverty level has been successful when poverty level fell from 16.5 in 1990 to 7.5 in 1999 (Government of Malaysia, 2001b) and 5.1 per cent in 2002 (Government of

Malaysia, 2003). Apart from poverty elimination, income and equity imbalance among ethnic groups was also addressed.

As Bumiputras lag behind other ethnic groups socio-economically, development programmes were directly formulated to elevate Bumiputra socio-economic status. Bumiputra equity ownership increased from 1.9 per cent in 1970 to 20.3 per cent in 1990 (Government of Malaysia, 1991b). Bumiputra involvement in business through the Bumiputra Commercial and Industrial Community (BCIC) programmes saw an increase in small- and medium-sized enterprises but figures were still relatively low (Government of Malaysia, 2001b). However, there has been an increase in the membership in professional groups by Bumiputra. In 1970, Malay memberships in professional groups in Peninsular Malaysia were less than 5 per cent of total membership of the groups (Government of Malaysia, 1981). In 1999, Bumiputra professional membership further rose to 28.9 per cent (Government of Malaysia, 2001a). With these results, Malaysia is confident in continuously formulating and implementing national development programmes for equitable growth. Throughout the years, economic development was accompanied by low inflation and unemployment rate, which averaged 2.4 and 3.4 per cent respectively (Department of Statistics, 2004). Despite economic slowdown especially after the 1997 financial crisis, Malaysia enjoyed an average of 7 per cent growth over the last three and a half decades (Economic Planning Unit, 2005a).

In terms of education, the number of people aged 6 and over who had never attended school dropped from one in three in 1970 to one in ten in 2000 (including older people who did not have an opportunity) (Economic Planning Unit, 2005a). Universal education has been a core strategy for eradicating poverty as education contributes directly to national development. Increased educational and employment opportunities have also improved the level of women equality, although it is still at a moderate to relatively low rate. Women participation in politics have also increased from 5 per cent of the total number of parliamentarians in 1990 to 10 per cent in the 2004 general elections (Economic Planning Unit, 2005a). Health care has been an

area of social improvement in the nation's development programmes. Child mortality rate has also decreased with the improvement of sanitation, clean water distribution, better child nutrition, reduced poverty, increase literacy and modern infrastructure (Economic Planning Unit, 2005a). Maternal health has also improved throughout the years. The contribution of the success is the continuous improvement of family planning programmes, professional skills of trained delivery attendants, the quality of essential obstetric care in district hospitals, monitoring systems, etc. Over the past 30 years, Malaysia has also managed to combat many infectious diseases such as by containing malaria, measles, mumps, rubella, etc.

Although Malaysia faces challenges in terms of health care development programmes, there is a general improvement in the living standard of the people (UNDP 2005). There is no denying that economic development has led to social development. However, the plans carried out by the government were not without their problems. The economic development policies have mainly benefited the private sector and there is little evidence of any significant advances in social policy to enhance the welfare of the majority (Jomo, 2004). The achievement of national unity in terms of interethnic relations is still unclear with the introduction of national policies as improved ethnic relations are measured exclusively by the income distribution among the ethnic groups. Nevertheless, as long as the focus for a harmonious society in Malaysia is measured by equal income distribution, Malaysia will continue to rely on its successful economic development model. Although the social aspect of development is spelled out, economic development is still of its primary importance.

3.5 CONCLUSION

In summary, Malaysia has demonstrated unique developing strategies in a diverse ethnic, religion and cultural nation with its own mould from the 1970s. Since then, Malaysia has been experiencing steady national growth with low inflation and unemployment rates (Department of Statistics, 2004). That is to say, Malaysians are

satisfied with the development of the nation. In other words, democracy has to take a back seat over economic development. In addition, Asians by and large are not suspicious of the government, and not many think that their government regulates or interferes too much with the country's business (Reid, 1998). The results are vested in the government's long-, medium- and short-term development plans, policies and strategies for the past three and a half decades.

Although Malaysia commits to the Millennium Development Goals (MDGs) outlined in the Millennium Summit 2000 of 189 countries to eradicate poverty and diseases by 2015, the commitment to poverty eradication has long been practised in Malaysia (UNDP, 2005). Malaysia's success in achieving seven out of the eight goals of MDGs and reducing household poverty has impressed many nations (Soon, 2005). According to United Nation Development Programme (UNDP) Resident Representative for Malaysia, Singapore and Brunei, Richard Leete, the Malaysian success story in the "Malaysia: Achieving the Millennium Development Goals" report was to be tabled at the UN general assembly to showcase Malaysia as a model state (Nadzri, 2005). As such, the success of these plans allowed policy-makers to continually support such development programmes manifested in its National Vision Policy (1991-2010), Third Outline Perspective Plan (OPP3, 2001-2010) (Government of Malaysia, 2001b) and its 9th Malaysia Plan (2006-2010) (refer, Antara, 2005; Bernama, 2005).

As long as racial integration is the nation's priority and economic development is taken as the yardstick for measuring integration, Malaysia will continue to support economic development. Guided by the political economy framework, this thesis is interested in explaining the practice of corporate social reporting in the Malaysian environment. This chapter has presented a backdrop for this discussion.

PART II:

METHODOLOGY

CHAPTER 4

METHODOLOGY AND METHOD

This chapter explains the method adopted to investigate social reporting in Malaysia. However, before a method is chosen, it is important to spell out “what knowledge we are attempting to access and for what purpose” (Hartley, Montgomery, Rennie, & Brennan, 2002, p.144). The methodology chapter fulfils this intention. This chapter emphasises the social construction of reality as the research conceptual framework. Qualitative research methods and an interpretive paradigm inform the analytical approach of this research. The explanation of the methods of data collection and analysis will be presented in the latter part of the chapter.

4.1 THE PHILOSOPHICAL ASSUMPTION: SOCIAL CONSTRUCTION OF REALITY

From an ontological point of view, this thesis adopts the social construction of reality framework in explaining corporate social reporting rationales. According to the most prominent early theorists of the social construction of reality, Berger and Luckmann (1966), the background understanding that reflects social reality is crucial for explaining social phenomena. Within this framework, defining absolute truth or reality is futile. Berger and Luckmann (1966) made their stand clear in their opening remark that reality is both objectively and subjectively constructed. There is a certain objectivity of reality but it is part of the individual subjectivity that constructs it.

As there is no clear-cut definition of reality, corporations attempt to define reality on the basis of their own reasons, rationales and justifications. As a result, different organisations view the significance and meaning of social reporting differently. As the concept of social construction of reality depends on the interaction of both objectivity and human subjectivity, it relies on human interaction to form the reality. Crotty (1998) states that social construction of reality is “all knowledge, and therefore

all meaningful reality as such, is contingent upon human practices, being constructed in and out of interaction between human beings and their world, and developed and transmitted within an essentially social context” (p. 42). Crotty (1998) used the term “enculturation” to explain the complex process whereby humans learn meanings. According to the political economy perspective, these social relations determine the rights and obligations of social actors (including organisations). Hence, meanings of the nature of the world are constructed socially and not discovered. This study adopts this perspective in examining social reporting in Malaysia. The assumption of what and how reality is constructed addresses the ontological issues of this section.

In terms of research, we ask what kinds of knowledge we believe the study will attain and what characteristics we believe that knowledge will have. These are epistemological issues that outline the nature of knowledge (Burrell & Morgan, 1979; Miller, 2002). For Crotty (1998), “an epistemology...is a way of understanding and explaining how we know what we know” (p. 3). That is, what constitutes knowledge? There are two ways of looking at knowledge: objectively and subjectively. The objectivist position is that knowledge “exists as such apart from any form of consciousness” (Crotty, 1998, p. 8). Humans have nothing to do with it. Therefore, humans (subject) simply discover an object that has been there all along. Knowledge is general to everyone. From the subjective position, knowledge or meaning is imposed on to the object by the subject. Humans have everything to do with it. According to Kumar (2005, p. 6), “subjectivity is an integral part of your way of thinking that is conditioned by your educational background, discipline, philosophy, experience and skills.” The middle path approach, “constructionism” (Crotty, 1998, p. 8), is the chosen epistemological assumption in this research. This position takes the view that knowledge or meaning emerges out of the interaction between subject and object. Knowledge construction, therefore, is based on a partnership between object and subject rather than by discovery or imposition.

The two perspectives, ontology and epistemology, are often merged conceptually. As ontology discusses the concept of reality, epistemology talks about the concept of

knowledge or meaning. Meaningful (epistemology) reality (ontology), which is constructed socially, is the philosophical assumption embraced in this thesis towards the understanding of corporate social reporting in Malaysia.

4.2 THE RESEARCH APPROACH: QUALITATIVE

Lewis-Beck, Bryman, and Liao (2004), Liedtka (1992) and Crotty (1998) advocated different modes of inquiry for different sciences. While the journey to discover natural reality is better achieved with a quantitative approach, the quest to understanding social reality is better accomplished by a qualitative approach (Lewis-Beck, et al., 2004). As this thesis is set to understand reality in a social setting, a qualitative approach was used. Qualitative research involves “an interpretive, naturalistic approach to the world” (Denzin & Lincoln, 2000, p. 3). In other words, a qualitative inquirer will try to make sense of or interpret phenomena in the natural settings of the study and with meanings that the participants attach to them.

Whether research adopts a qualitative or quantitative approach depends on several criteria. Baumard and Ibert (2001) outlined three questions to determine the approach: (1) the research is aimed at constructing or testing theory, (2) the desired research results were in the objective or subjective forms, and (3) the research requires flexibility. This research aims at understanding corporate social reporting, requires flexibility to gather subjective opinions and to draw the results from the field, thus satisfying Baumard’s and Ibert’s (2001) criteria for a qualitative approach.

As well as the generalising of knowledge, qualitative research highlights the uniqueness of findings. The qualitative research inquiry is an individualising or particularising method (Liedtka, 1992) in order to trace the unique development or the isolated individual of the phenomenon under study so as to gather the richness of the data (Geertz, 1973). As the qualitative approach involves the systematic collection, organisation, and interpretation of textual material derived from talk or

observation (Lewis-Beck et al., 2004), it is able to present a more inclusive view and explanatory power of a phenomenon (Dixon-Woods & Fitzpatrick, 2001).

Individual companies' opinions on social reporting were gathered besides the general development of social reporting. Past research has been aimed at grasping a general explanation of social reporting in Malaysia to gain a deeper perspective with regards to their differential stages of social reporting development. These studies were mainly based on primary data collected by using survey questionnaires and secondary data analysis from annual reports, stand-alone reports and websites (ACCA, 2002, 2004a; Andrew et al, 1989; Foo & Tan, 1988; Holcomb, Upchurch & Okumus, 2007; Nik Ahmad & Sulaiman, 2004; Teoh & Thong, 1981, 1984; Thompson & Zakaria, 2004; Williams & Ho, 1999; Yongvanich & Guthrie, 2007).

While past studies provide general understanding of corporate social reporting practices in Malaysia, this thesis complements and fills the gap in the literature by identifying each "corporation's" rich views towards corporate social reporting. As each corporation's perspectives are of interest in this thesis, the interpretive paradigm supports the understanding of multiple perspectives (Steward, 1994) that are socially constructed by the participants.

4.3 THE RESEARCH PARADIGM: INTERPRETIVE

The subjectivity of the social reality construction is embraced in the interpretive paradigm. The underlying assumptions of the interpretive theorist are rooted in the understanding "of how we construct meaningful worlds through interaction and how we behave in those worlds we have created" (Miller, 2002, p. 46). That is, humans construct meaningful realities and live in those realities that have been created. The interpretive stance espouses the social constructionist position towards reality (Burrell & Morgan, 1979). According to this stance, most communication disciplines assume that social realities consist of "multiple mental constructions" (p. 27) taking into consideration the influence of local and specific social and experiential context

(Guba, 1990). Therefore, most interpretive theorists emphasise the involvement of mental and social processes towards the understanding of the continuously constructing social reality. In other words, the meaning of a particular phenomenon makes sense only in the system of meanings in which it belongs (Fay, 1996).

According to Crotty (1998), “Different ways of looking at the world shape different ways of reaching the world” (p. 66). The interpretive approach is better suited to understanding social reality enquiry (Crotty, 1998) because this approach takes into account the subjectivity of humans involved in social action. According to Heidegger (in Lewis-Beck et al., 2004), “understanding is embedded in the fabric of social relationships” (p. 455). And because knowledge is relativistic and situated, the interpretive approach to inquiry does not appreciate the accumulation and generalisation of knowledge but instead recognises the situated and localised nature of knowledge (Miller, 2002). This approach supports the qualitative enquiry this thesis makes.

The meaning and functioning of social reporting would be homogenous if the understanding of corporate social reporting is generalised (as adopted by the positivist stance). However, past research has shown that corporate social reporting is different from one nation to another (see Adams et al., 1998; Guthrie & Parker, 1990; Perera & Mathews, 1990; Williams & Ho, 1999). In addition, these reports are used for different reasons (see for example, O'Donovan, 1999; Tinker & Lowe, 1980; Zambon & Bello, 2005) – demonstrating the subjectivity of the phenomenon. It is for the particularising inquiry in this study that the qualitative research method (Crotty, 1998) is adopted.

An interpretive approach lends itself to revealing reality-constructing practices as well as subjective meanings that are circumstantially conveyed (Silverman, 1998). Meaning, according to Silverman (1998), is constituted by way of interpretive practice; that is, the procedures and resources used to comprehend the phenomena are also used to organise and represent reality. As such, the interpretive endeavour would

minimise the distance between the knower (researcher) and the known (participants under study) (Miller, 2002).

In this sense, much of the researcher's theoretical beliefs and values are part and parcel of the research outcome. Knowledge is in this way mutually constructed. The interpretive social researcher would be involved in interpreting and determining what constitutes knowledge and how it is constituted. Nevertheless, a researcher adopting this paradigm should be aware that the focal point is the individual consciousness and subjectivity which is embedded in the participants instead of the researcher (Burrell & Morgan, 1979). The interpreter's goal is to reconstruct the participants' self-understanding of a given phenomenon. This thesis aims at interpreting participants' experiences and opinions of corporate social reporting.

4.4 METHODS

As the section above offered an understanding of the research assumptions taken in this thesis, this section describes the methods adopted in gathering as well as analysing the data. This thesis is designed to investigate corporate responses to social reporting in Malaysia by answering the following questions: What are the key personnel's opinions about their corporations' social reporting practices? What are their reasons for engaging in social reporting? What are their rationales for not being involved in social reporting? Two methods of data collection were used for the purpose of this research: face-to-face interviews and analysis of social reports in the companies' annual reports and websites.

4.4.1 Data Collection: Interview

Face-to-face interviews were carried out to probe key representatives of organisations for their opinions on social reporting. Semi-structured interviewing is most suitable as it allows the interview process to be flexible. According to Bryman and Bell (2003),

the flexibility provided by semi-structured interviews allows interviewers to examine how an “interviewee frames and understands issues and events – that is, what the interviewee views as important in explaining and understanding events, patterns and forms of behaviour.” (p. 343). In addition, the in-depth face-to-face interview allows participants the flexibility to guide part of the conversation based on a set of questions (Babbie, 1998). This method of interview assumes the interviewee to have a complex stock of knowledge and probing is necessary to extract relevant opinions. As opposed to structured interviews and unstructured interviews, semi-structured interviews allow room to pursue relevant and salient issues further as well as providing some format for comparison (Bryman, 2004). This method provides this study with a means to generalise as well as particularising corporate responses.

An interview guide with a list of questions to be explored in the course of the interview (Patton, 2002) was used to conduct the semi-structured-interviews. The semi-structured interview guide allows the interviewer to “explore, probe, and ask questions that will elucidate and illuminate that particular subject” (Patton, 2002, 343). According to Meuser and Nagel (1991), the interview guide functions to ensure that the interview does not get lost in irrelevant topics and to concentrate on the subject under study. Three general sets of interview guides were formulated based on the research questions to cater for three different types of participants namely, reporting companies, non-reporting companies and non-business players (see Appendix i through viii). Although face-to-face interviews were the preferred form of data collection, organisations that declined to be interviewed but had agreed to participate in the research were approached via emails. However, all business interviews were face-to-face and only two non-business participants responded via email.

Although the nature, quality and comparability of the data were compromised as compared to face-to-face interview, each respondent was independent from the other as they were from different groups of non-business participants. The data collected serve more of a supporting role to the companies’ reporting rationale.

The understanding of the cultural business and communication setting is vital in determining the success of the interview. As the Malaysian society is skewed towards the higher end of the continuum on the power distance (Hofstede, 1980, 1991), the “learner” and the “dress down” approach was adopted. With more formal respondents, the learner approach treated the respondents as the experts of the field which encouraged them to share their knowledge more freely. However, this approach has its flaws. According to Flick (2002), experts sometimes try to involve the interviewer with the internal problems of the organisation instead of discussing the subject matter. The expert also tends to switch role between the capacity of the private person and his or her expert knowledge. Therefore, interviewees were constantly directed towards the research questions based on the interview guide. The “dress down” approach, where informal conversational style was incorporated, was appropriate for less formal respondents (personal acquaintances).

The interview sessions were designed to last for about 75 minutes. The length of the interviews ranged between 40-120 minutes with the majority ranging between 60-90 minutes with 75 minutes being the average. The conversations were recorded and later transcribed. Short notes were also taken for validation. Face-to-face interviews were conducted with both corporate and non-business representatives. They will be elaboration in the sections below.

4.4.1.1 Ethical Considerations

As the research involved human subjects, approval from the University of Waikato Human Research Ethics Committee was required. The application for ethical approval was lodged before the field study and approval was granted. Prior to the interview sessions, the University ethics committee’s standardised research outline, information sheet and consent form were sent to the potential participants via email or fax (see Appendix ix, x, & xi).

One important requirement of the University's ethics committee is the participants' choice to remain anonymous. All respondents chose to remain unnamed. Participants were ensured that both their identities as well as their corporations were kept confidential. The choice given significantly increased the level of ease among research participants as visibly indicated during the interview. Most of the interviewees were uncomfortable having their conversations recorded, but permission was granted except for one. Notes were taken for the one who declined recording. Participants' anonymity was assured upon signing the consent form.

4.4.1.2 Procedure

The criterion for company selection was the corporate size. Large corporations were the target of this research because the larger the size of the company, the more likely the company would undertake activities; hence, the greater the potential for social impact (Alnajjar, 2000; Hackston & Milne, 1996; Herremans, Akathaporn, & McInnes, 1993; Lawrence & Collins, 2004; Trotman & Bradley, 1981). The paid-up capital for these companies are at least RM60 million (Bursa Malaysia, 2008). They were among the largest in Malaysia. Some of these companies were the largest in terms of market capitalisation. In addition, the six reporting corporations were role models for their corporate social reporting practices. They were award-winning corporations. However, the choice of the 12 companies was also based on the availability of the key personnel managers for in-depth interviews. Furthermore, these companies deemed as representative as interviewees were giving the same responses as each other, with no new discovery was obtained: that is, the data reached saturation (Silverman, 2000).

Non-industrial participants were corporate stakeholders that actively influenced corporate activities. They were interviewed to provide the Malaysian overall business environment in either encouraging or discouraging corporate social reporting.

Access to key personnel for a face-to-face interview was difficult, especially so as private companies did not respond favourably to external research. People are apprehensive about research participation because they do not wish themselves or their decision-making processes to be studied. As for interviewees, public relations officers at the managerial level were the first choice of participants for the interview because of their overall communication responsibilities for the companies. However, there were a few exceptions. Not all public relations officers were responsible for their companies' corporate social reporting activities. In addition, not all companies have a public relations department. Therefore, officers from other departments besides public relations were also interviewed.

Two rounds of participant recruitment were conducted. The initial data collection was in July 2002 and the subsequent one in June 2003. For the first round of data gathering, the point of contact with key personnel was established at the Global Reporting Initiative (GRI) Conference held in Kuala Lumpur. The conference provided an opportunity for people with the same interest to gather under one roof. Key personnel were approached with the assumption that they were receptive to the invitation for a face-to-face interview if they perceived the content of the research to be relevant to their job function.

The point of contact for the first round of data gathering was replicated at another conference for the second round of data collection. The second round data collection was launched after the Corporate Social Reporting (CSR) in Asia Conference also held in Kuala Lumpur. The second round of data collection was also assisted by a personal friend's capacity as a key person in the Sarawak (East Malaysia) business arena. She formed the initial contact which was followed up soon after.

4.4.1.3 Sample and Sampling

A total of 20 interviews were conducted. They were divided to two groups: 12 corporations and 8 non-business organisations. Reasons for interviewing representatives of non-corporate organisations are given further below. Out of the 12 corporations, nine were local and three multinational corporations. Six corporations showed evidence of corporate social reporting (refer Table 4.1 below). In addition to the corporations, the non-business organisations were represented by one government agency and regulator; two NGOs and four professional bodies (refer Table 4.2).

Table 4.1: Reporting and non-reporting corporations

Corporations	Reporting	Non-reporting	Total
Local	4	5	9
Multinationals	2	1	3
Total	6	6	12

Table 4.2: Types of non-business participants

Non-business participants	Total
Government Agencies	1
Regulators	1
NGOs	2
Professional Bodies	4
Total	8

One organisation was contacted via email. It was a socially responsible investment (SRI) company located abroad with investment interest in Malaysia. All representatives that participated in the face-to-face interviews were located in Kuala

Lumpur and Kuching. The locations of the interviews were not deliberately chosen but interviews were conducted based on the availability of respondents.

4.4.1.3.1 Reporting Corporations

Representatives of six reporting holding companies were interviewed. Among the six companies, two were multinationals. These representatives consist of three corporate communication managers, one corporate social reporting manager, one general manager of corporate and legal affairs department and an executive director of corporate affairs. They were all credible and key people responsible for the effectiveness of the overall communication effort for their companies including their corporate social reporting effort (refer to appendix i and iii for interview questions).

4.4.1.3.2 Non-reporting Corporations

Key personnel of six non-reporting publicly listed corporations agreed to be interviewed. Of the six companies, one is a multinational corporation. None of the representatives were from public relations, corporate communication or corporate affairs departments. Of all the companies, only one possesses such a department. The public affairs manager of this company was, however, unable to be interviewed because of personal circumstances and was substituted by the finance manager, who reports to the same executive director as the public affairs manager. Two interviewees were group financial controllers with one of them holding a dual function as a company secretary. The other two were a general manager and a group accountant. These key personnel were interviewed as they were the closest people associated with the external communication efforts of their corporations. However, these companies were all core product producers. As a result, they do not have a direct relationship with end consumers, hence, the lack of direct consumer pressure. (refer to appendix ii and iv for interview questions).

4.4.1.3.3 Government and Regulatory Bodies

To the many emails sent out requesting a personal face-to-face interview, only one government and one regulatory body responded. Therefore, access was restricted. Although only two respondents were interviewed, they were significant policy crafters for the nation's economic, financial and business policies. Of the two, one was the director of a significant unit of a ministry who is responsible for the formulation of policies and strategies for socio-economic development of the nation. The other was a regulatory body represented by a senior manager of a premier fund-raising and investment centre for securities and derivatives in Malaysia. Their opinions were attained to understand the nation's policy makers' and regulatory body's position and attitude towards corporate social reporting in the nation. The interviews with these two key people provided considerable stakeholder opinion (refer to appendix v and vi for interview questions).

4.4.1.3.4 Non-government Organisations (NGOs)

Two NGOs agreed to be interviewed. These two NGOs played a significant role in the GRI conference held in Kuala Lumpur in 2002. One of the participants was the president of a national activist group with broad interests in environmental issues. The other participant was a programme coordinator of a national charitable organisation that works for nature conservation and belongs to an international chapter. Their views were important as they play a significant part in helping preserve the nation's environment as well as reaching out for the less fortunate in the country. There were also chosen for their role in promoting corporate social reporting in Malaysia. Their views were taken to reflect perspective of NGOs (refer to appendix viii for interview questions).

4.4.1.3.5 Professional Bodies

Four professional bodies representing significant corporate professions (accounting and company secretary professional bodies responded to the request to participate in the research). Of the four, two interviews were conducted via email. Two of them were Malaysia's top professional bodies. One of the two top professional body's main role is monitoring and maintaining the association members' high standards of ethical professional conduct. It is also part of its mandate to maintain the highest standards of corporate integrity and ethical values incorporating the element of best practice in all endeavours in its members' respective fields. The technical director of this professional body responded to my interview questions sent to her upon request for clearance purposes. A follow-up email requesting a face-to-face interview was declined. However, the interview was conducted via email. The other professional body's responsibility was maintaining the highest standards of professional practices of members in corporations its members serve. It was represented by a council member of the institute.

Interview questions were also answered by the associate social research analyst for an organisation that specialises in socially responsible investment (SRI). The contribution of this organisation is important as it represents the investors' perspective. The interview was conducted via email because the organisation is based overseas. Contact was established in the GRI Conference 2002. Lastly, a director of a reputable internationally recognised consulting company was interviewed. This consulting company had at the time recently organised a corporate award competition in Malaysia in 2003. One of the criteria of the corporate award was social reporting (refer to appendix vii for interview questions).

4.4.2 Data collection: Annual Reports and Corporate Websites

In addition to interviews, annual reports and corporate websites of all six reporting companies were also gathered to complement the interview findings. Both the annual

reports and corporate websites provided evidence to the response of the interviews. According to Chapple and Moon (2005), corporate websites are official representations of companies' policies and practices as opposed to a single manager's opinions. So, they complement the collected interview data. Annual reports were used in this study because they are the most widely circulated documents of a company. According to Adams et al. (1998) "the single most important source of information on corporate activities is in most, if not all cases, the annual report and accounts, and this is the only document that is automatically sent to shareholders by all companies" (p. 5).

In addition, annual reports are of interest to this research because they are also companies' proactive communication activities as opposed to a third party report. Buhr (1998) claims that "annual reports are the most commonly accepted and recognized corporate communication vehicle" (p. 164) because the content is significantly influenced by top management's opinion, which is the focus of this study. Consequently, annual reports are not neutral devices as they are used as a vehicle to legitimise corporate activities (Buhr, 1998; Yongvanich & Guthrie, 2007). Buhr labels annual reports as "legitimizing devices" (p. 164) especially when companies get to choose what social performance to report because of the lack of an established social reporting guideline in Malaysia.

From a contrary view, Unerman (2000) queries the reliability of annual reports as a source to study firms' corporate social reporting activities. Unerman's (2000) longitudinal study on Shell's corporate communications presented two points: Shell's annual reports did not represent the company's social reporting comprehensively and the reporting in annual reports did not represent a consistent proportion of the firm's total disclosure. However, it is interesting to investigate the reasons for such reporting rationale. Zeghal and Ahmed (1990) also advocated examining beyond annual reports, maintaining that annual reports are rigid documents susceptible to rules and procedures which govern production and distribution. Zeghal and Ahmed (1990) also

pointed out their concern of social accessibility because of readers' lack of "decoding skills" (p. 39).

While Unerman (2000) and Zeghal and Ahmed (1990) contest the dependence on annual reports as the only source for social reporting analysis, their reasons are based on research dated back to the late 1970s and early 1980s (for example, Preston, 1981). Annual reports have now moved on to be more user-friendly and accessible. Besides, Unerman's (2000) and Zeghal and Ahmed's (1990) views do not represent the opinions of many researchers. Annual reports have been a major source of secondary data for most recent research in this area (refer ACCA, 2002; ACCA, 2004a; Adams, Coutts, & Harte, 1995; Adams et al., 1998; Andrew et al., 1989; Deegan et al, 2000; Foo & Tan, 1988; Gibson & O'Donovan, 2007; Ho & Taylor, 2007; Holcomb et al., 2007; Nik Ahmad & Sulaiman, 2004; O'Donovan, 2002; Teoh & Thong, 1984; Teoh & Thong, 1981; Thompson & Zakaria, 2004; Williams & Ho, 1999; Yongvanich & Guthrie, 2007). According to Deegan and Rankin (1996), certain stakeholders seek information concerning environmental activities from the annual report. The recognition of past research that companies communicate social and environmental information to stakeholders via annual reports provides support for further empirical research. This point is also supported by Steckel's (2002) findings that annual reports are the first documents to be made compulsory for publishing of social and environmental information for all listed companies in France. In Malaysia, annual reports are also the only documents to be judged by The ACCA Malaysia Environmental and Social Reporting Award (MESRA) and The National Annual Corporate Report Award (NACRA), which incorporates environmental reporting as a criterion for evaluation.

Corporate websites also offer several advantages. According to Chapple and Moon (2005), Ho and Taylor (2007), and Williams and Ho (1999), corporate website is an alternative mechanism for disseminating corporate information. If annual reports can be widely circulated, corporate websites reaches out even further. Besides circulation, websites allow better two-way communication, unlimited space for reporting, lower

costs of disseminating information, and uncontrolled access time. Therefore, many corporate social responsibility activities are reported online based on these few reasons. In addition, this relatively new genre of organisational communication enables organisations to present an account of their activities to be regarded as legitimate in response (Coupland, 2006). As a result, corporate website provides an alternative source for data collection. As this study is interested to explore companies' social reporting intentions, annual reports and corporate websites are the best source of evidence for these intentions. However, information in these reports and websites were used to supplement the face-to-face interviews and so were not subject to in-depth analysis.

4.4.3 Data Management

Data from twenty interviews -17 transcribed interviews, one note-taken interview and two email corresponded interviews - were collected. Although the interviews were conducted in English, other languages (for example, Bahasa Malaysia [the Malaysian national language] and Chinese) were also applied to ease expression of opinion. Verification of facts was done during transcribing by referring to short notes taken during the interview. After transcribing, data were analysed using thematic analysis.

4.4.4 Data Analysis: Thematic Analysis

Owen's (1984) thematic analysis was used in this study for both the interviews and annual reports. In his research on relational communication, Owen (1984) applied thematic analysis to understand relational communication and participants' usage of discourse to interpret their relationships. Zorn and Ruccio (1998) also adopted thematic analysis to study the usage of communication to motivate college sales teams. According to Zorn and Ruccio (1998), thematic analysis allows "the researcher to identify themes within individual responses, thus preserving individual perspectives, in addition to finding themes common to all or most interviewees" (p.

478). Similarly, the goal of the thematic analysis in this enquiry is to extract salient themes from individual company interviews and to draw connections with relevant theories to promote greater understanding of corporate social reporting.

In this method, themes are identified according to three criteria: (i) recurrence, (ii) repetition, and (iii) forcefulness. “Recurrence was observed when at least two parts of a report had the same thread of meaning, even though different word indicated such a meaning” (Owen, 1984, p. 275). Repetition is the explicit repetition of the same wording and forcefulness refers to the vocal intonation, volume or dramatic pauses that serve to emphasise certain remarks. These three criteria allow salient points of the interview to be captured as the foreground of the report (regarded as themes) and other meanings to remain as the background.

Organisations’ motivational and deterrent factors, and opinions for social reporting were carefully extracted from the interview transcripts based on the three interview guides for different respondents. The interview guides provided the structure by which the interviewees responded to a list of similar questions. Salient themes that fulfilled the three criteria outlined by Owen (1984) were extricated across the companies. In the process of thematic analysis, a table-form worksheet consisting of transcribed interview conversations was developed. Interview responses which fit the identified themes were placed in a separate column next to these conversations as appropriate. In an example of MNC A’s conversation: “It [social reporting] presents key benefits to the company engaging [with our stakeholders to try to meet their expectations]₁. We try to [understand the trends and issues for the company so that we do not have to fire-fight or face a crisis]₂.” In this example, themes were coded as organisational legitimacy₁ and issues management₂ respectively. Separate worksheets were developed according to the three groups of respondents.

According to Jones and Shoemaker (1994), thematic analysis is a type of content analysis that “draws inferences from data by systematically identifying characteristics within the data” (p. 142). This method of analysis enables the researcher to answer

the questions of “who says what, to whom, why, how, and with what effect?” (Babbie, 1998, p. 309). Thematic analysis offers a tool to understand the motivation and impediment of corporate social reporting practices. It is used to extract and analyse themes inherent within the documents (Jones & Shoemaker, 1994) and interviews to understand corporate social reporting practices in Malaysia.

Another advantage of using thematic analysis is that it allows the researcher “to actively enter the worlds of native people and to render those worlds understandable from the standpoint of a theory that is grounded in the behaviours, languages, definitions, attitudes, and feelings of those studied” (Denzin 1971 in Owen, 1984, p. 50). In other words, thematic analysis allows the researcher to understand corporate social reporting from the Malaysian context as the interpretation of the data is dependent on the context in which the data were extricated and forms the themes of the transcribed interview data. Relevant themes were then grouped in separate chapters later in the thesis.

4.5 CONCLUSION

This chapter outlined the research approach, paradigm and methods adopted in answering the research questions of this thesis – why corporations choose to and not to – engage in corporate social reporting activities. In order to answer the research questions, qualitative enquiry methods were engaged to interpret and explore individual company’s rationale for social reporting adoption choices. A semi-structured interview technique was applied to gather the primary data. Both primary and secondary data was analysed using thematic analysis. The data were then interpreted and presented in the findings and discussion chapters.

PART III:
FINDINGS, DISCUSSION
AND CONCLUSION CHAPTERS

CHAPTER 5

FINDINGS AND DISCUSSION:

REPORTING COMPANIES

This thesis explores the rationale behind organisational decisions whether or not to engage in voluntary corporate social reporting in the Malaysian setting. In other words, this research responds to the question ‘why’ organisations choose to or not to engage in corporate social reporting. The discussion of this chapter revolves around the six reporting corporations out of the total 12 corporations. The chapter is divided into two sections. The first section presents the application of public relations concepts to interpret the reasons for reporting and the methods used in social reporting at the corporate level. The second section of the chapter discusses the corporate social reporting rationale at the societal level, which includes discussions of corporate social reporting rationale in the Malaysian context. The chapter ends with a discussion of the risk society endures when corporations decide to embark on social reporting. The presentation of non-reporting companies’ perspectives will follow in the next chapter.

5.1 CORPORATE LEVEL RATIONALE FOR CORPORATE SOCIAL REPORTING: PUBLIC RELATIONS

At the corporate level, analysis reveals that the rationale for all reporting companies for engaging in social reporting is to gain societal support. Societal support ensures organisational legitimacy (Suchman, 1985). Organisational legitimacy is crucial for organisations because it enables continual organisational operations. This study demonstrates that organisations engage in corporate social reporting to attain legitimacy through public relations (PR). The interrelated PR themes identified as rationale for corporate social reporting are as follows: (i) image and identity, (ii) publicity, and (iii) issues management. The opinions of top personnel for all the six reporting companies (refer to Chapter 4 [Methodology]

for details of the organisations) were analysed for key motivational themes. The breakdown of the themes is presented in Table 5.1 below.

Table 5.1: Corporate social reporting rationale by companies

PR CONCEPTS \ COMPANIES	MNC	MNC	LOCO	LOCO	LOCO	LOCO
	A	B	A	B	C	D
Image and identity	√	√	√	√	√	√
Two-way symmetrical communication model	√	√				
Two-way asymmetrical communication model				√		√
Auto-communication		√	√	√		√
Competitive advantage	√	√	√	√		√
Publicity	√	√	√	√	√	√
Issues management	√	√	√		√	

5.1.1 Corporate Image and Identity

A major theme that emerged out of the reasons given by all reporting companies is organisational portrayal of a favourable identity to their stakeholders. Past social reporting studies indicate corporate size as a significant reason for engaging in social reporting (see, for example, Adams, 1998; Belkaoui & Karpik, 1989; Cowen et al., 1987; Hackston & Milne, 1996; Patten, 1991), with large organisations under more pressure to report than smaller ones. This is especially so as they bear greater political and social exposure as compared to smaller organisations (Belkaoui & Karpik, 1989; Roberts, 1992). In addition, the larger the size of the company, the greater the potential for social impact (Alnajjar, 2000; Hackston & Milne, 1996; Herremans et al., 1993; Trotman & Bradley, 1981). However, this study shows the inconsistency of corporate size as a factor for

social reporting at least in the Malaysian context. Only half of the companies in this study, all of which are publicly listed, report their social performance - these six companies recognise the need to portray a favourable identity to their stakeholders.

As defined in Chapter 2, corporate image is what the public perceives an organisation to be (Ind, 1995; Kitchen, 1997). In other words, corporate image is “what the organisation looks like from the outside” (Stone, 1995, p. 66). Corporate identity, on the other hand, is an organisation’s strategic planning of self-representation in the form of desired image. The corporate identity mix consisting of symbols, corporate communications and behaviour (Kitchen, 1997; van Riel, 1995) distinguishes one corporation from another. Although all companies in this study recognised the importance of image and identity, only the six reporting companies and one non-reporting company recognised *social reporting* as capable of creating favourable image and identity.

Supporting the concept of legitimacy, the reporting companies tried crafting their corporate identity to appear congruent with societal values to influence stakeholders that conferred upon them the desired image. Manager LOCO D said, “At the end of the day, you get your [clients] from the market. So, you have to start early to leave a favourable image with your potential customers.” Besides LOCO D, managers of both LOCO C and MNC B claimed that a positive corporate image entailed long-term corporate credibility. MNC B’s manager maintained, “I think this [favourable image] is what is important and to let them know we are here for the long term.”

All reporting companies’ managers stressed that social reporting reached the public and shaped public perception towards their organisations. They believed that corporate social reporting enabled them to portray favourable (image and) identity to influence societal perception. Societal perception is vital in determining continuous organisational operation in that it dictates whether an organisation is worthy of support (the concept of legitimacy). Manager LOCO A claimed, “It [social reporting] helps shape the perception of the public towards the corporation.”

In shaping public perception, one of the most desirable corporate identities among the companies was the portrayal of a caring organisation that is part of the local community. In line with Chapple and Moon's (2005) research, Malaysian companies are rated high on welfare issues. These organisations' choice to assimilate themselves in society is in line with Waddock's (2001; 2004; see also Nielsen & Thomsen, 2007) view of stakeholders whereby organisations are now looking at the concept of "organisations *in* society" instead of "organisations *and* society" (p. 241). Corporate social reporting provides an avenue to show their involvement in society. Manager LOCO B claimed: "[social reporting] can be a platform to show the public how we contribute to society... We see ourselves as socially responsible...we would also like it to be seen that we are socially responsible as a publicly-listed company." However, the targeted stakeholders might be different for each company depending on the issues surrounding the organisations.

These companies' emphasis on communicating to their stakeholders via annual reports is witnessed when these companies' efforts won them numerous annual reporting awards, such as the Malaysian National Annual Corporate Reporting Awards (NACRA) in the "Best Environmental Reporting" award or a Platinum PR award for reporting. Three companies, LOCO C, MNC B, and LOCO D, attempted to attain the desired stakeholder support by getting involved with the local community (examples of community programmes will be discussed through the chapter). These organisations tried to position themselves alongside, instead of isolated from, their stakeholders when they get involved with the community. Lazano (2005) observes that organisations engaging in such strategies try to portray a sense of shared responsibilities. Hence, these organisations desire their stakeholders to see them as engaging in an inter-dependent relationship with their stakeholders in the network. In this sense, organisations are able to portray an identity (and foster an image) that is congruent with societal expectations through corporate social reporting.

The desired consumer perception was especially vital for multinational companies. Identification with the locals and the publicity of this commitment (to

portray a caring organisation) were important for MNC B. MNC B concentrated on national development programmes such as organising local exhibitions and seminars, sponsoring local sports events and even transferring farming technology to improve the practice of local farmers. The rationale behind these programmes, which were included in the company's social reports, was to be seen as part of the local community. Multinational companies such as MNC B avoided being perceived as just a foreign money-making company. The manager said:

I think the main thing is to show anyone who reads these documents [social reports] our commitment towards social responsibilities...we are not here to just milk Malaysians of their money but [for them] to buy our products and get something back.

In this quotation, MNC B recognised corporate social reporting as a publicity tool to portray itself as a “local” caring corporation to garner societal support.

Manager LOCO D also explained that social reporting informed its stakeholders that LOCO D did not just concentrate on its core business. LOCO D organised community events and social reporting was used to emphasise its non-business related side. In its annual report, LOCO D outlined its efforts in nurturing talents in sports and in helping the 2005 Asian tsunami victims. LOCO D pledged continuous community involvement in its 2006 annual report:

Apart from academic excellence, LOCO D has a tradition of organising many specific and on-going community relevant and socially-responsible activities like music concerts and tsunami bazaar to raise funds for charity and in aid of disaster victims, out of a conviction that we have a duty to discharge to the community in fulfilment of our role as responsible corporate citizens.

From the excerpt above, LOCO D organised and published its community events to tell society that it cares for and is part of society.

LOCO C too claimed itself as a “caring employer”. It was stated in its annual report that it helped relocate employees who otherwise were subjected to retrenchment schemes. Besides that, LOCO C reported helping deceased

employees' families to speed up insurance claims. All these reports were aimed at communicating to the public that they cared. Evidently, corporate social reporting via company annual reports is regarded as a tool to influence public perception.

Acknowledging corporate social reporting as a tool to influence public perception, organisations formulate their social reports' content in several ways. One way is to address stakeholders' concerns and communicate altered organisational behaviour or operations in social reports. This form of two-way communication will be discussed in the following section.

5.1.2 Two-way Symmetrical Communication

It is important for companies to know what public opinion is in order to align themselves with it or to be seen to address public concerns in their quest for legitimacy. This study found that MNC A and MNC B engaged in two-way symmetrical communication to seek public opinion in order to develop their corporate social reports. According to Grunig and Hunt (1984), in two-way symmetrical communication, organisations gather information from the environment to develop messages for stakeholder support. The process entails listening and responding to public concerns by not just altering corporate discourse but communicating *altered corporate behaviour* in response to the organisation's environment (see also Roper, 2005). By engaging in two-way symmetrical communication, organisations are able to portray an identity of a concerned corporation in the eyes of their stakeholders.

MNC A and MNC B employed two-way symmetrical dialogue with their stakeholders in a bid to understand issues stakeholders perceived as salient. A MNC A's manager explained, "We engage stakeholders constructively to understand their views on [product] issues and try to meet various reasonable expectations.... We emphasise our [issue 1] and [issue 2]. We might emphasise something else. It is all dependent on the expectations of our stakeholders." MNC A's two-way symmetrical commitment is clearly stated in its stand-alone social report. This report explains MNC A's comprehensive step-by-step stakeholder

engagement process which consists of a series of stakeholder dialogues. Stakeholder commitment is propagated in its annual report: “Stakeholder dialogues remain at the hearts of our approach to CSR.”

According to another MNC A manager, Manager B, “The social report is a public document. NGOs and the government evaluate what we are doing. They provide a lot of feedback asking for clarification.” MNC A welcomed stakeholder opinions as it neither objects to nor gives in to public policy. From its stakeholder dialogues, MNC A found that stakeholders would like it to be more responsible to society. MNC A altered its operations by taking into consideration stakeholders’ input and communicated its efforts in its social reports. These efforts would help MNC A identify itself as an organisation that was committed, responsive, and responsible to the public. As corporate social reporting was part of MNC A’s global initiative, the headquarters would like all its branches to portray that single coherent identity worldwide.

In addition, Manager B found the dialogue sessions to be opportunities to educate MNC A’s stakeholders. The manager explained: “We engage in dialogues with our stakeholders to increase the level of awareness. We also organise media briefings so that we also educate the media. It is solely for educational purposes.” The education of the public was one of the four organisational legitimacy strategies outlined by Lindblom (1994). To facilitate dialogue, MNC A had been actively encouraging more stakeholder engagement. The MNC A manager explained, “We would like to see more antis and pressure groups attending the dialogue sessions”. MNC A was the only organisation in this study engaging in interactive stakeholder dialogue in its issues management drive. Its commitment to stakeholder dialogue was further demonstrated when top management personnel in various departments were represented in the dialogue sessions.

Like MNC A, MNC B also recognised the importance of two-way symmetrical communication to formulate its corporate social report. The manager stated, “We take it [public scrutiny] as positive feedback and we will try to remedy it [social behaviour] because sometimes we need feedback from external forces as well to know whether we are on the right track.” Although the company engaged in two-

way symmetrical communication efforts, its approach was different from MNC A's. No dialogue was deliberately organised to obtain stakeholder opinion. Feedback was acquired by other forms of communication such as survey questionnaire and websites.

MNC B relied on its corporate social reports to inform the public of its social contribution. The manager said, "It is not just about giving money. It [social campaign] is total. It covers wellness in every aspect of body, mind and soul...like teaching them about nutrition, the environment and so on." Besides corporate social reporting, MNC B organised seminars to address issues that were perceived to be important to the public. However, the seminars were not designed to obtain stakeholder feedback but to educate the public. The manager stated, "We have to start educating the people about social and environmental issues." The manager hoped the organisational two-way interactions with MNC B's stakeholders especially through corporate social reporting and the seminars were able to change public perception of multinational companies. MNC B hoped to gain the support it needs by portraying an identity favoured by its stakeholders.

Although two-way symmetrical communication entails changed organisational activities in response to stakeholder concerns (Grunig & Hunt, 1984), the theory does not outline the method of extracting stakeholder concerns. MNC A and MNC B changed their corporate activities in response to stakeholder concerns but their method of obtaining stakeholder opinion was clearly different. MNC A's responses to societal expectations via its dialogues and executed changes were indicated in its annual and social report. MNC B also mentioned and responded its stakeholders' concerns as well as its organised seminars in its reports. However, no stakeholder dialogue was reported. These two companies' two-way symmetrical communication method helped them portray an identity congruent to stakeholders' expectations. Regardless of the communication models, this research finds that while reporting organisations report to external stakeholders, they also, at the same time, deliberately communicate to their internal stakeholders – their employees, as outlined in the following section.

5.1.3 External and Internal Communication (Auto-communication)

One way of obtaining internal stakeholder support is to establish a strong corporate identity. An established organisational identity is important for organisational members so that they understand their organisation's goals and objectives (Cheney & Christensen, 2004). Organisations communicate clear goals and objectives to help employees know where their organisations are heading. The support of internal organisational members is fostered when they gain better shared understandings amongst themselves, and between themselves and their organisations. Hence, reporting organisations are also targeting their own employees when they engage in corporate social reporting to maintain and confirm their identity (Cheney & Christensen, 2004). Cheney and Christensen (2004) and Lotman (1977; 1991) call this self-assuring communication method 'auto-communication'.

The simultaneous communication to its external and internal stakeholders takes place when the intentions of the external and internal messages are closely intertwined. Christensen (1997) and Cheney and Christensen (2004) describe this phenomenon as occurring when internal stakeholders are affected by messages that are deliberately communicated for external stakeholders. This is because the most dedicated and passionate readers of corporate social reports are organisational members (Morsing, 2006). Abdeen (1991) suggests the inclusion of social performances in annual reports to promote employee support. Here, corporate social reporting is regarded as a tool that blurs the boundaries between external and internal organisational communication. The purpose of corporate social reporting is to garner both external and internal stakeholder support.

As mentioned, all the reporting companies wanted to assure their external publics that they were good corporate citizens. However, data shows that LOCO B, LOCO A, LOCO D and MNC B used corporate social reporting to satisfy not only their external customers but also their internal organisational members. Employees are an important group of stakeholders for these four organisations. This is due to the identification and management of employees (internal stakeholders) as a pertinent issue (Cheney & Christensen, 2004). Manager LOCO

B claimed, “It [social reporting] is how we [LOCO B] show our responsibilities to our employees and towards our society at large.” As such, a single message reached out to both its external and internal audiences.

LOCO B’s annual report and LOCO A’s website clearly stated that employee concerns were one of the major foci of their companies’ missions. Being labour-intensive industries, LOCO B and LOCO A continued developing strategic human resource programmes. Most of their reporting effort was mainly on human resource retention issues. One of LOCO B’s efforts was the publication of the attainment of OHSAS 18001 certification in its annual reports. The award conveyed LOCO B’s concern for employees’ health and safety which was perceived as important by its employees. Acknowledging the importance of corporate identity, Manager LOCO B said, “One of our missions is to be a good corporate citizen. When we say we want to be a good corporate citizen, we are relaying our corporate identity to the community as well as to our employees.” LOCO B used corporate social reporting to publicise its identity as a responsible organisation externally and internally. For this reason, LOCO B’s top management was receptive to corporate social reporting as it was seen as a communication tool which fulfilled this auto-communication (Cheney & Christensen, 2004) role.

As mentioned, auto-communication is crucial to promote external and internal support (Allen & Caillouet, 1994). Internally, auto-communication fosters employee sense of belonging (Scott et al., 1998). Manager LOCO B stressed passionately a few times that social reports were used to convey LOCO B’s responsibility towards its employees so that they had a sense of belonging:

If we don’t take care of them, they may not have a sense of belonging to the company. They may not feel secure in terms of safety. They may not feel that they are also part of the company...Again, why do we do that [social reporting]? To give them a sense of belonging. If we don’t, they will just leave. Let them feel that they are the owner of the company...

LOCO B’s manager recognised the importance of auto-communication as it was from society that LOCO B drew its over 400 employees. The reporting of

corporate social performance attracts quality employees (Greening & Turban, 2000). Therefore, LOCO B tried to ensure employees' continuing support by appealing to not only its external public but also its internal publics.

Besides LOCO B and LOCO A, LOCO D's communication strategy was also aimed at satisfying its employees. LOCO D's manager agreed that engaging in social reporting not only attracted potential customers but also functioned to recognise organisational members for their contributions to the organisation. The manager said, "It [corporate social reporting] not only affects the [business] but it also gives recognition internally to people doing the work. They see their piece [work] and the reports from their department." Consequently, LOCO D's external communication via corporate social reports was an effective tool to acknowledge employees' contribution. In other words, LOCO D's external messages which were intended to attract customers also aimed at satisfying its internal members. The auto-communication method was also the approach behind MNC B's communication strategy. Manager MNC B provided some rationale for MNC B's auto-communication efforts: "The main objective is to allow everyone who reads these documents including employees to know about [company name] and to show our responsibility." Her comments showed MNC B's aspiration to, again, demonstrate to its external and internal stakeholders that it was not just a foreign money-making organisation.

As a result, MNC B, LOCO B, LOCO A and LOCO D used corporate social reporting to portray a favourable image to retain and to nurture a sense of belonging of current employees. Future and current employees would like to feel that their jobs offer an avenue for personal development and for carrying out meaningful work (Pruzan, 2001). In support of this point, Greening and Turban, 2001, Luce, Barber and Hillman (2001), Pruzan (2001) and van Riel (1995) claim that a strong and favourable corporate image is able to entice potential employees, retain and inspire existing employees. LOCO B, LOCO A, MNC B, and LOCO D projected a corporate identity that possessed values congruent with those of their employees. Alvesson (2004) recognises the satisfying of employees as "internal marketing" (p. 166).

The inclusion of corporate social reporting in annual reports enables these four organisations to promote trust and loyalty of both organisational members and consumers because of the credibility of the information. The information is deemed reliable as it is not just a portrayal of internal commitment but as a public document which is open to scrutiny. This information forms a sense of employee satisfaction from their jobs which forms as a natural motivation to continue working for the organisation and thus nurture loyalty (Abdeen, 1991). In this research, corporate social reporting encourages employee engagement which promotes competitive advantages (Lockwood, 2007). As the adoption of corporate social reporting is able to develop employee relations, organisations use these reports to gain internal stakeholder support and to promote competitive advantage.

5.1.4 Competitive Advantage

As discussed, all six reporting organisations sought to obtain legitimacy by meeting stakeholder expectations through the shaping of stakeholder perceptions of a favourable corporate image and identity. A concept related to image and identity is competitive advantage (Balmer & Gray, 2000). In the growing competitive environment and in the face of globalisation, an organisation's image and identity might be the only difference that people can use to distinguish one company from another (Brady, 2007). To all the reporting companies except LOCO C, social reporting promoted competitive advantage. LOCO A's management, for example, regarded social reporting as an opportunity to enhance LOCO A's corporate image along with its competitive advantage as long as social reporting remained voluntary. The manager clarified: "Our corporation is seen to be discharging its social responsibility. In other words, our competitors might not be seen doing it (being socially responsible) when they do not report." In the changing business environment, corporate social responsibility is gaining visibility and significance in the eyes of stakeholders. Companies that are sensitive to the stakeholders' expectations will be well positioned to create social responsibility programmes that will enhance their reputation (Argenti, 2003).

As corporate social reporting is new in Malaysia, these six companies emerged as social reporting leaders in their industries. Manager MNC A admitted, “We are proud to be leaders...it [corporate social reporting] shows leadership quality.” MNC A justified itself as the largest and oldest in the industry in its annual report. MNC B also believed that being the forerunner in corporate social reporting in the industry showed leadership quality. Manager MNC B said,

We don't want to be in a position where other MNCs are seen doing it and we are not. We don't want to be in that position. We want to be a proactive, leading company. We think it is important.

Like LOCO A, MNC A, and MNC B, Manager LOCO D stated that social reporting promoted differentiation as LOCO D was the first and only company to engage in social reporting in the industry. The differentiation provided LOCO D with competitive advantage over its competitors (Brady, 2007; Daft, 2005; Teo, 2007). The manager explained, “In the industry, we are the only one doing it [social reporting] at this time. So, we stand out in that sense.”

These managers considered that being in a leadership position allowed them to be recognised by the public and that this boosts their image and identity further, providing them with competitiveness in the market place. Besides leadership quality, LOCO B recognised that a positive image provided it with the opportunity to expand its exports to the European market. LOCO B found corporate social reporting to be fulfilling the role of communicating its corporate social responsibilities to its foreign counterparts. The manager claimed, “In the eyes of the Europeans and foreigners, they do see this [corporate social responsibilities] as something that you [LOCO B] have not forgotten.” The portrayal of social responsiveness to stakeholders was regarded as important to foreign counterparts. In order to portray a favourable identity in the eyes of their stakeholders, these reporting companies attempted to use corporate social reporting as a publicity tool for this purpose. The publicity enabled these companies to influence public perception.

5.1.5 Publicity

Clearly, if social reporting is carried out with the objective of influencing public opinion, the reporting itself will need to be publicised. Recognising the importance of publicity, all these six companies had a public relations department or personnel. All the reporting companies recognised the publicity of their social performance via corporate social reporting. As gaining public recognition was important, these reporting organisations carefully engaged in public relations issues management to highlight pertinent issues to be publicised.

All six managers believed that in order to attain the desired stakeholder support, organisational social performance needs to be publicised because it shows their commitment towards corporate social responsibility in line with issues deemed important to their stakeholders' expectations. Deegan et al. (2000) maintain that communication to stakeholders is vital if any action taken by organisations is to attain the desired state of legitimacy. Organisations risk losing stakeholder support when organisational initiatives are not made known. Manager LOCO A admitted, "If we don't share this information [social performance], nobody knows what we are doing." LOCO A used social reporting to portray a caring image and identity. Manager LOCO A said, "People will have the perception that we are not just a profit generating company." LOCO A's needed to portray a favourable corporate image was apparent for it was undergoing a corporate restructuring programme. Corporate social reporting was targeted to gain public confidence. The manager said that the corporate restructuring programme was an image repositioning effort after the hit of the Asian economic crisis in 1997. She noted that social reporting resulted in the publicity LOCO A required from its social responsibility programmes to let the public know and to gain public confidence that LOCO A survived the financial crises.

Similarly, Manager LOCO B commented, "We will invite the press when we hold activities for publicity. Unless you do that, nobody knows what you are doing internally...it is to show the public that we are accomplishing our mission and continuously doing that." Manager LOCO D also agreed that reporting social performance of the company to the public was paramount. As a result, LOCO D's

top management asserted pressure to make sure that its social performance reached the public. Manager LOCO D was under constant pressure to report her company's social initiatives. She claimed that the primary reason for corporate social activities was publicity. She revealed, "Whatever we do is expected to be reported. We are under internal, not external, pressure. Why? To get publicity!" The manager said that half of the social responsibility efforts would be wasted if they were not publicised.

Manager LOCO C supported this point when he admitted, "The reason we report is to let people know that we are supporting [local events]." LOCO C ensured its local development programmes were made known to the local community. Similarly, MNC B's commitment to corporate social reporting was demonstrated when it set aside a substantive budget for printing glossy annual reports, corporate brochures and stand-alone social reports, and setting up interactive websites. Corporate social reporting helped publicised MNC B's effort to be identified with the local community. The manager commented, "Consumers could see that they benefit in some other way besides through our products." MNC B's commitment to publicity was demonstrated further when it engaged its long-term external consultants to work with its internal public relations team. Among the reporting companies, MNC B was the only company engaging external consultants to complement its existing public relations department.

Acknowledging the importance of publicity, all reporting companies tried to get themselves featured in media through press releases. All the managers regarded press releases as their first choice in disseminating their social performance to the public. The press release is favoured because of third-party reporting which provides greater credibility as compared with self-reporting (Fijewski, 2003). Furthermore, according to Volkov, Harker, and Harker (2006), people are doubtful about advertisements. Manager LOCO D commented: "There are other means of communicating to the public. One of course is direct advertisements. [However,] Most people might not be convinced by advertisements. People tend to read indirect reporting."

Similarly, Managers LOCO C, LOCO A and LOCO B claimed that they report in an array of media but especially favoured press releases in disseminating their companies' achievements. Manager LOCO A admitted, "We emphasise mainly press releases followed by newsletters, the company website and the stand-alone document." Manager LOCO D agreed: "Press releases work best. You will get better coverage." For example, LOCO D and LOCO A engaged in public relations strategies to get themselves featured in the press. LOCO D gained public acknowledgement and support when its community programmes were reported. The manager said, "I am referring to a number of things to reach out to society. We have things like student (sports) clinic for schools all over the country." He further explained: "If we look at it practically, the media is not going to be continuously writing about our [business] for us...you have to get along different lines to be *newsworthy*..." The manager gave an example whereby LOCO D organised corporate social activities involving prominent government officials. She was confident that such events flanked by the presence of ministers would attract press coverage. Public figures attract media attention because of issues surrounding them. The media report issues that have the potential to attract masses and also previously uninterested members of the public (van Leuven & Slater, 1991).

Although all the reporting companies acknowledged the advantages of issuing a press release, LOCO A, MNC A and LOCO B were cautious of the effects of third-party corporate social reporting. The managers pointed out the limited control over press releases. They were worried that the press might report on a different frame, report less favourably or choose not to feature them. According to Moore (1996), corporations have limited time and accuracy control over press releases. Thus, MNC A concentrated on its self-reporting stand-alone social report. MNC A published a series of stand-alone social reports from 2001 to 2006. The manager explained that this reporting gesture also signified commitment to the interests of the stakeholders.

The advantage of publicity is apparent when organisations thrive because of corporate reporting awards. The awards provide the publicity that companies need. Awards spur favourable publicity and are a motivating factor for

corporations to continue their reporting efforts (Deegan & Carroll, 1993). Awards also provide publicity to enhance the companies' image in the eyes of the stakeholders. The recognition of LOCO B's social reporting efforts had encouraged it to continue this voluntary reporting effort. The manager claimed that recognition in terms of corporate reporting awards produced favourable publicity for LOCO B. It had been the recipient of two state-level corporate reporting awards, the Sarawak Chambers of Commerce and Industry (SCCI) Corporate Award and the Chief Minister's (CM's) Award. The manager proudly claimed:

...we were awarded the Chief Minister's award which we were proud of. We were not the champion but we received an award of merit. That is an eye opener to the public. 'Look, LOCO B is not bad. Their management is well run.'

The publicity motivated the manager to voice her aspiration for LOCO B to be recognised at the national level by NACRA:

The publicity of it [reporting awards] gives some advantages. They came from the recognition of our shareholders and stakeholders. Definitely it has an impact. NACRA is for all publicly listed companies...It would have a great impact on LOCO B if one day we are the recipient.

Although acknowledging the publicity of corporate awards, the manager was concerned about the limited time and resources available as the company's social reporting activities were voluntary in nature. The importance of other mandatory requirements took precedence over its voluntary effort:

To be honest, there are so many awards that are available for you to participate...and that is very time consuming. It certainly has an impact but to do something for that particular award, taking into consideration the time and affordability, we have to be careful. In the CM's award, we spent a lot of time doing the preparation and finally we get some benefits out of it.

As a result, LOCO B had no plan to improve its current social reporting effort as it did not plan to use social reporting as a stakeholder engagement tool.

One common feature of these companies was the importance of the publicity of their corporate social performance which they needed to communicate their social performance to society. The publicity helped these reporting companies in portraying their desired image and identity in the eyes of their stakeholders, who confer them the support they need for their corporate livelihood (organisational legitimacy). In order to attain organisational legitimacy, corporations choose to publicise relevant issues carefully to their advantage. Elaboration of corporate social reporting and its role in issues management will be discussed further in the section below.

5.1.6 Issues Management

Four reporting companies, MNC A, MNC B, LOCO A and LOCO C, engaged in corporate social reporting for public relations issues management. Issues management is a public relation's proactive function that identifies, monitors, analyses and manages relevant issues that arise from the interaction between the state, civil society, and the economy (Heath, 1997; Wartik & Heugens, 2003). At the organisational level, public relations practitioners manage issues that may mature into crises (Seeger et al., 2001) and/or into public policies which may have direct or potential effects on their organisations' operations (Daugherty, 2001; Heath, 1997; Seeger et al., 2001). The relationship between emerging issues and public opinion is developed when the public forms opinion around issues that have consequences on them (van Leuven & Slater, 1991). Consequently, organisations shape their communication (corporate social reporting in this study) to manage public issues to influence public opinion of them.

MNC A demonstrated top management commitment to corporate social reporting as a tool to manage issues. It is reflected in top management representation on its corporate social reporting committee headed by a manager. This committee managed issues affecting the company and strategically synchronises MNC A's efforts in combating issues in its social report. In order to manage its issues and formulate its corporate social report, MNC A conducted an issues management exercise to research public concerns locally – part of global practice for the corporation. Each year, MNC A organises two dialogue sessions – the first dialogue session is conducted on the third quarter of year one and the second session is conducted on the first quarter of year two. A social report on the various issues raised and the measures taken to address the issues pertinent to the stakeholders is produced at the end of the two-year period.

Manager MNC A asserted that the company engaged in issues management in an effort to understand trends and issues so MNC A did not have to fire-fight or face a crisis (Seeger et al., 2001). Issues management in fact was practised by these four reporting organisations, MNC A, MNC B, LOCO A, and LOCO C, to avoid a crisis although only MNC A mentioned it explicitly. Issues management helps organisations to better equip themselves to avoid a crisis because of early identification and strategic responses to issues (Cutlip et al., 1994). In addition, the act of identifying what, how much, and to whom to report were steps taken to avoid potential crises from erupting. For example, MNC A invited “interested publics” (van-Leuven & Slater, 1991, p. 169) – publics that arise around issues that have consequences to them – to round-table meetings to address the issues concerned. MNC A intentionally organised these meetings to address issues pertinent to the stakeholders to minimise the need to fire-fight later. “Meeting stakeholder expectations” was MNC A's central theme in its annual report.

Like MNC A, MNC B also adopted issues management to identify potential issues affecting its operations. The manager acknowledged the trend of corporate social reporting as an issue:

In Malaysia, it [social reporting] hasn't caught up yet. In Europe, for example, social reporting really impacted investors' choice. We haven't come that far as yet. It would come sooner or later and that is why we have to be ready... because three to five years down the road, you have to include this [social reporting] in your annual report. It is coming.

The quotation demonstrated MNC B's initiative in scanning potential issues (social reporting, in this case) before they become policy. MNC B's seriousness was manifested when it won 1st runner-up for the Best Social Reporting in an Annual Report category in the ACCA Malaysia Environmental and Social Reporting Awards (MESRA). Apart from that, MNC B also published a comprehensive stand-alone triple bottom line report to complement its annual report. The manager realised that other multinational companies were involved in corporate social reporting and did not want MNC B to be left behind. Besides these issues, MNC B also engaged in corporate social reporting to pre-empt stakeholder queries regarding corporate social responsibility:

We want to be proactive. We want to start doing things [social report] before we are asked to do it or before people start questioning us. Now I know I have a social report. If people ask whether MNC B has one, I can say 'yes'.

Apart from social responsibility, MNC B also looked into sustainability. Its annual report included a substantive sustainability section which includes solid waste management, energy management and air emissions, water management, sustainable agriculture initiative, etc. As a multinational company, MNC B believed that issues management provided the opportunity to scan the needs of the local community although sustainability is not yet an issue in Malaysia.

Another apparent issue for MNC B was the negative connotation (for example, sweatshops - minimum wage, lack of overtime compensation and unemployment insurance coverage, and child labour) and, hence, poor reputation of multinational companies (see, for example, Harney 2004 and Harrison & Scorse, 2006). As a result, MNC B tried to associate itself with Malaysians by being involved in local development programmes. It was reported in its annual report that MNC B fully

funded the building of a kindergarten, initiated an English programme to improve students' level of English competency, and provided learning material for disabled children for rural communities in Malaysia. Besides rural communities, MNC B also engaged urban communities by encouraging school children to participate in the good nutrition and active lifestyle programme. MNC B hoped to obtain recognition and acceptance from the local community, and corporate social reporting was seen as a means to achieve this. Corporate social reporting enabled MNC B to communicate its social contribution to the public. The manager said, "Besides communicating how much profit we make, we have to balance it [financial reports] with our softer emotional kind of contribution as well."

Although not a multinational company, LOCO C, like MNC B, also strategically carried out local development programmes. However, LOCO C practised issues management so that its corporate activities would be congruent with the government's policy. For example, LOCO C had been responsive in taking up the government's privatisation policy (refer Chapter 4 for examples of policies). LOCO C communicated its commitment through its annual reports. This was demonstrated in its initiatives to develop communities in rural areas of the state in place of the government. The manager stated, for example:

Over the last two years, we have been providing a lot of rural mosques with water supplies. We have also refurbished boats along the river. Apart from that, we built new long houses for victims of landslides with our own material and labour. We do everything!

LOCO C believed that the continuous development of local community, which was in line with government's initiatives, was paving the way for its success thus far. For example, LOCO C organised and sponsored the annual boat regatta along the main river of the state. The regatta uniquely symbolised the local tradition of the community. Besides the annual regatta, the "adopt-a-mosque" programme also signified local community involvement. These two initiatives were made known to the stakeholders via its annual report. Apart from that, the reporting of ISO14001 and OSHAS 18001 certifications signified LOCO C's compliance to environmental and employee management standards in its annual report. These

initiatives helped it to gain both government's and the public's recognition. LOCO C's favourable image helped it obtain legitimacy from the authorities because they were convinced that LOCO C was concerned for public well-being and that conferred on it the "license" to continually operate. LOCO C reported its contribution to the 2005 tsunami victims as "open[ing] their heart and purses to help the victims" and as "LOCO C's effort to give back to the community" in its annual report. The favourable status motivated LOCO C to continuously engage in local social activities and publicised its contribution in social reports to influence stakeholders by portraying a favourable image to gain stakeholder support.

The manager was confident that LOCO C's operations not only met the need for public development but also fulfilled shareholders' investment expectations. The manager stated, "Our core business here is to make money for the shareholders and at the same time try to help the community." With this current stakeholder engagement regime, LOCO C was also confident in attaining both societal and governmental support when it met public development programmes. The manager claimed, "There is nothing to hide if it is for a good cause. If it is for the sake of public development, the positive effects overrule the negative impacts... There is always a cost to the environment." LOCO C retained shareholder investment when it successfully attained stakeholder support to continue with its operations in the environment. LOCO C's rationale for its current social reporting regime was justified when it met both public and stakeholder expectations.

Although LOCO C portrayed itself as part of its community, there was no indication of any active stakeholder engagement in formulating its social reports. It embarked on social reporting based on its current social responsibility formula to attain stakeholder recognition. The manager admitted, "We have to find out what is unique for us in the industry. In our board of directors' meeting, we talk about our needs." Therefore, LOCO C's plans were on an ad-hoc basis that best met its needs at a particular moment. LOCO C did not formulate its policies based on its external stakeholders' opinion. Further analysis revealed that LOCO C's position was based on the two-way asymmetrical communication model.

5.1.7 Two-way Asymmetrical Communication

In the two-way asymmetrical communication model, organisations use the gathered information to develop messages for stakeholder support *without altering organisational behaviour* (Grunig & Hunt, 1984). Organisations gather information about their publics and design communication effort solely to “persuade publics to behave as the organization wants” (Grunig, 2001, p.13). The manager at LOCO C maintained that LOCO C at times received stakeholder suggestions and opinions about organisational operations but dismissed the suggestions. He was adamant that LOCO C had the necessary ingredients to operate. He commented, “I don’t think they (issues raised by stakeholders) are something major that we need to change the company’s policies or directions. If they are major, all these issues would have been taken care of.” The quotation clearly stated LOCO C’s confidence in its current issues management regime and that two-way symmetrical communication was not required.

Further analysis reveals that the desire to maintain a positive image was one of the reasons for LOCO C’s reluctance to engage stakeholders actively in formulating its social reporting regime. LOCO C found that engaging in stakeholder dialogue would open itself up to negative associations, especially with NGOs. Manager LOCO C claimed that companies risk NGOs scrutiny: “NGOs have a very bad connotation in this part of the world especially logging. We would like to stay out of controversial issues. Most NGOs are involved in controversial issues...” As such, LOCO C was careful that its current strategies and image were not tampered with. For this reason, LOCO C did not engage stakeholders in managing its issues. So, its decision not to engage was in itself issues management.

Although LOCO C risks NGO’s criticisms for its activities, he insisted that they have long-term benefits for society. The manager believed that people would understand LOCO C’s rationale eventually. The manager stated, “It [company’s operations] is a barrel of good tidings. Through time, people will realise what we are trying to do...” Subsequently, LOCO C did not indicate any active effort to engage in stakeholder dialogues in managing its issues now or in the future. Stakeholders other than shareholders had no avenue to voice their opinions

regarding LOCO C's operations: "If you are not a shareholder, you have no place in the [annual general] meeting. If you are a shareholder, you can ask about the performance of the company" (LOCO C Manager).

Although LOCO B used auto-communication to lobby for internal stakeholder support, it managed its social reporting process exclusively, without engaging in dialogue with its stakeholders. It screened, selected, and addressed issues most closely related to its corporate objectives and from the media. The manager commented, "We disclose what we do as a contributor to society. This is additional. We don't go out and ask them [the public], 'What do you like to know?'" The manager did not plan to spend much effort and time in non-mandatory matters. As a result, LOCO B leveraged from its social reports which covered as much positive social information as possible about its social responsibilities. Manager LOCO B admitted, "...we would like to publish as much as possible of what we have done." As a result of not engaging with its stakeholders, LOCO B felt the pressure of social responsibility obligations. The manager voiced reluctance to be more involved in LOCO B's current reporting effort because social reporting entails social responsibilities. The limited capability in identifying stakeholders' concerns as a result of minimal stakeholder engagement diminishes LOCO B's ability to select social activities deemed important to stakeholders. Consequently, LOCO B's narrowed social responsibility restricted LOCO B's social reporting to only its employees.

The findings demonstrated LOCO C's and LOCO B's rationale for applying two-way asymmetrical communication in formulating their corporate social reporting. These companies were seen to continue practising their current reporting regime with no indication of adopting the two-way symmetrical communication model. They were confident of obtaining the desired legitimacy from their current stakeholder engagement method. These managers expressed their confidence and satisfaction in, and intended to continue, the current reporting efforts.

As discussed above, reporting companies seemed to manage different stakeholders differently. The choice of some companies to support the local community, their employees or local authorities justified their issues management

regime. Why did these organisations emphasise their communication efforts towards certain stakeholders? The findings show that companies emphasised their communication efforts based on the stakeholders' potential impact on the organisation (Blancquaert, 2006; Croney & Millman, 2007). Issues management comes into play to determine the salient issues for each organisation. Organisations need to balance and meet demands of various stakeholders because different stakeholders have different expectations and affect organisations differently (Argenti, 2003; Robert, 1992). In addition, "organisational communicators direct their efforts to different audiences at different points in the process...according to their [audiences'] changing assessments of the public relative importance" (van-Leuren & Slater, 1991, p. 166). The identification of different stakeholders allows organisations to prescribe relevant activities and types of information to report (Zambon & Bello, 2005). The identification of stakeholders explains the focus of some companies' social reports on the chosen issues as well as audiences.

Not all companies encourage full reporting of social activities, however. Unlike the four reporting companies (MNC A, MNC B, LOCO B and LOCO C) which engaged in issues management to determine what to report, LOCO A used issues management to control and restrict its social reports. Its social reports were controlled in terms of volume and type of information to be reported because it was cautious of the repercussions of social reporting. It did not report on one of its particularly hazardous subsidiary's operations that would raise sensitive issues. As a result, it reported only partially. The manager said:

The only company that could possibly open itself to scrutiny is the [type of industry] company but we do not report our activities to the public. We just tell them about the nature of our operations briefly, that's all. No specific details to be scrutinised.

LOCO A was careful of its corporate social reporting exercise. Apart from the type of information to report, LOCO A was concerned about the volume of its reporting. As LOCO A was still recovering from the effects of the Asian economic crisis in 1997, it did not want to be seen as too extravagant in its

spending, especially on contributions to community. Issues management was applied to manage shareholders', potential debtors' and subsidiaries' dissatisfaction. The manager explained, "We are discouraged to be too visible as we've a lot of debtors out there who are chasing us for their debt. We cannot afford to be seen as too active in charity."

Apart from restrictive reporting, both LOCO C and LOCO A practised selective stakeholder reporting, and selective type and volume of reporting. They adopted corporate social reporting to divert the attention of stakeholders from sensitive issues surrounding the organisations. Lindblom (1994) states that diverting stakeholders' attention from a particular sensitive issue is part of the organisational legitimacy strategies to obtain stakeholder support. These companies emphasised local community development knowing that support for local community programmes will be accepted favourably by this group of stakeholders. As mentioned, LOCO A and LOCO C strategically organised and sponsored major local public events to distract stakeholders from sensitive issues. They deliberately engaged in social contribution such as providing financial aid for the underprivileged, which is preferred by the press. However, LOCO A's controlled exposure in its annual report eliminated the need to justify the extra spending to its shareholders and debtors. As a result, LOCO A had to creatively employ social reporting to its advantage to maintain legitimacy. LOCO A selectively reported its social performance on a control basis on its website and internal newsletter instead of its annual report to divert shareholder's and debtors' enquiry.

As demonstrated, all reporting organisations applied issues management to oversee issues surrounding them. They engaged in issues management to identify issues pertinent to relevant stakeholders. For this reason, their emphasis on stakeholders and issues differed from one another. It is evident, then, that these reporting companies acknowledged the significance of corporate social reporting as part of issues management practice to garner stakeholder support. However, engagement in corporate social reporting does not depend only on organisational motivation. As organisations operate in an interrelated relationship with society and government, business decisions are often influenced by the external

environment (Tinker, 1980; Roberts, 1991). Williams and Ho (1999) advocate that the national context in which businesses operate influences corporate social reporting practises. The following section of the chapter discusses corporate social reporting rationale in the Malaysian context.

5.2 SOCIETAL LEVEL RATIONAL FOR CORPORATE SOCIAL REPORTING

Earlier, Chapter 2 elaborated on the thesis' adoption of both the corporate and societal level concepts to explain corporate social reporting rationale. As the concepts that emerged from the analysis were discussed in the first part of the chapter at the organisational level, this part illustrates the effects of corporate social reporting at the societal level. The discussion will initially deliberate the Malaysian environment which encourages corporate social reporting. The latter part of the discussion revolves around incorporating concepts of political economy and risk society in the Malaysian context (presented earlier in Chapters 2 and 3). Applied to this research, these two concepts explain the Malaysian social reporting environment and the risk incurred by the decisions to engage in social reporting, which ultimately affect society.

5.2.1 The Malaysian Environment

Eight non-business organisations' interviews were analysed to explain the Malaysian environment. The opinions of these non-business organisations were gathered to help explain the business environment or context of the six reporting companies which are the focus of this research. They are two professional bodies labelled as PB A and PB B, two NGOs labelled as NGO A and NGO B, one regulatory body labelled as REG, one, government agency labelled as GOVA, one investment company labelled as IVEC, and one consultant labelled as CONS.

In the earlier sections of this chapter, the concepts that emerged to explain corporate engagement in social reporting are organisational legitimacy, image and

identity management, issues management and the need for publicity. As the findings reveal, one of the reasons for companies to engage in social reporting is to portray a positive identity to the public. In order to achieve this goal, these companies report various forms of social and environmental activities to their stakeholders. Reporting companies use corporate social reporting to manage society perception in the aim to secure long-term societal support to ensure their continuous operations, in line with the concept of organisational legitimacy (Deegan et al, 2002; O'Donovan, 2002). NGO A observed this effort as “social communicating” instead of social reporting because most companies report only positive information.

These companies report only positive information because it was important for them to legitimise their corporate actions. Reporting corporations engaged in corporate social reporting activities so long as they appear favourably in the eyes of the Malaysian authorities and the public. In Malaysia where corporate social reporting was not a mandatory requirement, reporting corporations engaged in corporate social reporting to communicate with these stakeholders to secure continued support from the authorities and the public. Besides using corporate social reporting as an issues management tool to curb the introduction of new and amendments to existing legislations by the authorities, corporations also engaged in corporate social reporting as an issues management tool in anticipation of new and amendments to existing legislations. The usage of corporate social reporting as an issues management tool was proven when the government was looking at the possibility of introducing mandatory corporate social reporting for all public listed companies (Onn, 2004) and was eventually introduced in Malaysia in 2007. These companies were not left out and were ready to embrace corporate social reporting.

Although economic development is prevalent, Malaysia does not neglect environment and social development. Among Malaysia's plans are eradicating poverty, improving education, increasing basic infrastructure in rural areas, advancing public health care, and encouraging women participation in politics and business. In fact, Malaysia's success story has been showcased in the UN general assembly in its effort to eradicate poverty (Nazri, 2005). Malaysia is also

subjected to international treaties such as the Rio Declaration, Agenda 21, and Kyoto Protocol. Malaysia's commitment to these treaties and social development are witnessed when the government is encouraging corporate social responsibility. Besides, numerous corporate social responsibility and reporting awards were organised. They are namely, MESRA Awards by ACCA Malaysia, NACRA Awards by The Malaysian Institute of Management, and lately, The Prime Minister's Awards by The Ministry of Women, Family and Community Development, which was introduced in 2007. All these initiatives are translated not only into the public but the private sector. The private sector is encouraged to play its role in not only the nation's economic but also social development. As a result, many large companies are picking up the nation's plea to practice corporate social responsibility in Malaysia which explains the corporate social reporting efforts of these companies.

However, as most of these initiatives were not mandatory, corporations have a choice to either abide or ignore such plea. Although Bursa Malaysia's initiative to make corporate social reporting compulsory, it applies only to corporations which are active in corporate social responsibility activities. In other words, corporations still have the freedom whether or not to engage in corporate social reporting. The explanation of corporate rationale for limited corporate social reporting will be elaborated in the following chapter.

As the chapter has been discussing the rationale for social reporting in the Malaysian environment, the next section provides an explanation of the effects of corporate engagement in corporate social reporting. The relationship between the concepts of political economy and risk society is demonstrated when the decision (cause) to report social performance would eventually have an impact or risk (effect) on society.

5.2.2 Political Economy and Risk Society

Although corporate social reporting reflects corporate social performance, it does not reflect the *effects* of corporate social reporting. As the effect of corporate

social reporting cannot be undermined, this section of the chapter explains the consequences of practising corporate social reporting. It is here the relationship between corporate social reporting and risk society is prevalent when social reporting initiatives aim to demonstrate companies' accountability to society yet lack established social reporting audits. Corporate social reporting companies appear to be the manufacturers of risk. According to Beck (1995a, 1995b), manufacturer of risk can manipulate, hide, and distort information. In other words, society is exposed to the risk of unverified social reports when it is presented with unaudited or unverified social reports which are susceptible to biased or fraudulent reporting.

Social audits (which embrace environmental audits) are used to verify firms' social and environmental performance (Bridges, 2006). As social reporting is still very much unregulated, it encounters scepticism and suspicious reactions of organisational "self-interest bias" (Livesey & Kearins, 2002, p. 234). This phenomenon happens when organisations desire stakeholder support (DeTienne & Lewis, 2005). Corporate social reporting is negatively associated when organisations do not report according to their actual practice. According to Brown (1997), in financial reports, organisations project optimistic financial performance, deemphasise financial risk, rationalise problems and errors, and deny faults, for example. This double-message phenomenon creates a credibility gap (Cerin, 2002). Cerin (2002, p. 46) labelled the reporting around the real issues as a "by-pass solution" to either get out of trouble or gain stakeholder support. So, is a report labelled "sustainability report" really a report about sustainability?

Although many accounting firms pledge their qualification to provide social reporting verification (Ravlic, 2004), many consultants recognise their shortcomings and have attempted to verify companies' social reports by disclosing their verification process as well as the limitation of their assessment (Berthoin Antal et al., 2002). According to Gray (2000), the quality of attestation of environmental and social disclosure is generally very poor. He points out that verification does not examine the objectives and the degree of completeness of the reports, thus risking readers to perceive reports to be a true and fair representation of the organisation. The absence of any formal legally defined parameters for

social and environmental accounts (disclosure) will continue to contribute to an unclear verification process (Gray, 2000). As long as social reporting is evolving without any clear conceptual framework, social reporting verification continues to be in a confused state. This study found that none of the reporting companies have independent verification. Although corporate social reporting was made compulsory among PLCs by Bursa Malaysia in 2007, independent verification is not a requirement in the regulation and most companies do not use it. This is probably because corporate social reporting is relatively new in Malaysia and as a result, there is not much local expertise as auditors to verify reports.

Apart from a shortage of qualified verifiers (Vu, 2004), Gray (2000) also pointed out that reliability of accountants or auditors is now questionable. Consequently, society is exposed to the risk of unscrupulous social reporting. When an organisation tries to portray an image of a caring organisation, does it really care? Organisational efforts in managing public perception leave society confused as to whether such reporting is real. The potential of corporate social reporting in modifying and moulding public perception is supported by the social construction of reality approach adopted in this study. According to Berger and Luckmann (1966), it is through social interaction that reality is formed (see also, Crotty, 1998). As such, social reports are interactive in forming social reality (Adams, Hill, & Roberts, 1998; Cooper, 1980; Cooper & Sherer, 1984; Guthrie & Parker, 1990; Tinker & Lowe, 1980; Tinker & Neimark, 1987).

The role of social reporting in the construction of reality is demonstrated in the spirit of organisational legitimacy where social reporting begets stakeholder support that the organisations need (Williamson & Lynch-Wood, 2008), as shown in this study. As a result, society perceives corporate published social information to be real, and thus risks supporting unscrupulous organisations. Organisations (in this case, through social reporting) play a role in the manufacturing of risk. Society would be at risk if it continues to support reporting organisations based on their unverified social reports.

Besides fraudulent reporting, genuine reporting also poses risk to society. When organisations report their genuine social performance like financial contribution to

society, and organised environmental programmes to curb effluent into ponds and streams, does that mean society is free of risk? Genuine social reporting exposes society to risk when society continues to support these reporting companies. The continual support provides the license for these companies to continue to negatively affect society and the environment in their economic endeavour. Again, social reporting is “the reporting of organisational social and environmental effects as a result of their economic gains” (Gray et al., 1988, p. ix). Although reporting of “social consciousness” (Carroll, 1999, p. 270) is applauded, according to Gray (1996), good news is almost always accompanied by bad news. In other words, genuine social reports function as an indicator of the negative effects of corporate economic goals. For example, rivers need to be cleaned because of effluent dumping. Forests need to be preserved because of rampant deforestation. Financial aid to the unfortunate is contributed due to unequal economic distribution of wealth. NGO A gave an example:

“If a tobacco company comes up with a very good social report or triple bottom line report, how do you discount the fact that a tobacco company is producing poison? So what if they write fantastic report, formulate excellent social and environmental policies? At the end of the day, it (tobacco) remains a weapon of destruction”.

At the macro level, corporations will continue to engage in environmental preservation and maintenance efforts as long as they continue to operate. Beck (1992) maintains that these efforts which appear in social reports manufacture risk while society progresses in the name of industrialisation. As such, corporate social reporting can function as a mask of social and environmental destruction.

5.3 CONCLUSION

This chapter presents the perspective of reporting companies for engaging in corporate social reporting at the organisational as well as societal level. Public relations concepts emerged as the reasons for these companies to explain corporate social reporting rationale: image and identity, and issues management. Whether they adopt the of two-way symmetrical or asymmetrical communication

model, all reporting companies engaged in careful issues management strategies to highlight issues and divert stakeholder attention. As demonstrated, social reporting was used as a tool to execute this strategy.

The analysis reveals that favourable image and identity are crucial in attaining the desired state of legitimacy. In this chapter, organisations adopt corporate social reporting to enhance their corporate image and identity to appear favourably in the eyes of stakeholders who confer on them the licence to operate. Therefore, corporate social reporting plays a vital role in attaining the desired state of legitimacy. The reliance on constant communication between organisations and their stakeholders to attain the desired state of legitimacy is discussed in Cormier and Gordon (2001), Deegan et al. (2000), Metzler (2001a; 2001b), O'Donovan (2002), and Suchman (1995). Although this chapter illustrates that public relations concepts can explain motivations or rationale for social reporting, the concept of organisational legitimacy emerged as the underlying reason for these reporting companies. For example, LOCO C reported mainly to local authorities and communities who confer it the legitimacy to continually operate. MNC A proactively engaged stakeholders in dialogues to address issues so that it gets the desired support from them. It is ultimately the attainment of society's support that ensures these companies' continual operations. This study concludes that organisations employed corporate social reporting as a public relations tool to attain the desired legitimacy that ultimately determines their existence.

From the national context, this chapter presents the potential of unverified corporate social reports as a contributor of risk to society. Society has no way of detecting fraudulent reporting. However, this study cannot conclude that all unverified social reports are fraudulent reports. As Beck's (1992) viewpoint of risk society is pessimistic in nature, regardless of whether corporate social reporting is fraudulent or genuine, it functions as a double-edge sword. Apart from producing risk as a result of presenting fraudulent reports, companies also indicate their environmental and social footprints when they report genuine corporate social activities in the aim of preserving the environment, improving management practices, etc.

From the discussion above, this research finds public relations theories applicable to explain organisational motivation behind the practice of corporate social reporting. In addition, the concepts of political economy and risk society are adopted to rationalise the effect of corporate social reporting practice in the Malaysian environment. Similarly in the next chapter, public relations theories are also used to explain the lack of corporate social reporting among companies. However, while the concepts of political economy and risk society are used in this chapter to explain the effects of corporate social reporting in the Malaysian environment, these two concepts are also applied in the next chapter to illustrate the disinterest of companies in practising corporate social reporting in the Malaysian environment.

CHAPTER 6

FINDINGS AND DISCUSSION:

NON-REPORTING COMPANIES

Apart from exploring the rationale behind organisational decisions to engage in voluntary corporate social reporting in the Malaysian setting in the previous chapter, this thesis also explores companies' rationale for refusing corporate social reporting. This chapter addresses the question of 'why' organisations choose not to engage in corporate social reporting. Six of the 12 companies examined decided not to report their social performance. They are LOCO E, LOCO F, LOCO G, LOCO H, LOCO I, and MNC C. Like Chapter 5, this chapter is divided to two parts. While the first part examines organisational rationale for refusing to engage in corporate social reporting at the corporate level, the second part incorporates the national context into the discussion.

Table 6.1: Concepts for non-reporting rationale

	COMPANIES	LOCO I	LOCO F	LOCO E	LOCO G	LOCO H	MNC C
	CONCEPTS						
1.	Organisational legitimacy	√	√	√	√	√	√
2.	Issues management	√	√	√	√	√	√
3.	Public relations	√	√	√	√	√	

6.1 CORPORATE LEVEL RATIONALE FOR REFUSING CORPORATE SOCIAL REPORTING

This section of the chapter elaborates the theory used to explain corporate hesitation to engage in social reporting at the corporate level. Some of the concepts that emerged from the interpretation of data from reporting companies are also applied to companies refusing social reporting. At the corporate level, the concepts are organisational legitimacy, issues management, and public relations (see Table 6.1),

6.1.1 Organisational Legitimacy

Although the concept of organisational legitimacy remains one of the most popular theoretical approaches to explain voluntary corporate social reporting (for example, see Adams et al., 1998; Gray et al., 1995; Hooghiemstra, 2000; O'Donovan, 2002), this concept also emerged to interpret companies' non-reporting behaviour in this study. According to the concept of organisational legitimacy, when organisations aspire to continually operate, it is crucial that their actions are considered legitimate. Therefore, companies need to develop long-term relationships with their various stakeholders on which they depend for capital, labour and customers for legitimacy to remain functional (Nasi & Nasi, 1997; Neu et al., 1998; Parsons, 1960; Singh et al., 1986). Dowling and Pfeffer (1975) state that corporations are legitimate when they are judged by organisational publics to be "just and worthy of support" (p. 127). The support is granted when organisational behaviour is perceived to be congruent with the values of society which gives the support (Dowling & Pfeffer, 1975). This concept suggests that organisations depend on the social system and that power lies in the organisational publics.

This section discusses companies' engagement in activities other than social reporting to influence societal perception that determines the societal support needed by organisations. That is, organisations try to obtain legitimacy by other means than

social reporting. Specifically, the findings of this research show that these companies engage with their shareholders and authorities directly for support.

6.1.1.1 Lack of Public Demand: The Shareholder Perspective

The absence of public demand for social reports is one of the main reasons that LOCO I, LOCO F, LOCO G, LOCO E and MNC C refrained from reporting any social performance voluntarily to the public. According to the concept of organisational legitimacy, public support is required for organisations' continued existence. The lack of public demand provided a logical explanation for these companies not to report their social performance voluntarily (Chou and Chandran, 2007). Wilson (2007) outlines that companies should engage in social reporting when there is public or regulatory pressure that companies need to address. As opposed to Friedman and Miles' (2001) claim that the demand for social reporting is growing, Manager LOCO G admitted that throughout the four years of the company's annual general meetings (AGMs), there has been only one occasion when shareholders asked for social information. The manager noted, "People don't do it [ask for social information] here. They seldom request such information." Manager LOCO E agreed with Manager LOCO G that the Malaysian public was not interested in social reporting. Manager LOCO E said, "People here are not very fond of all these [social reports]. So, I would say most listed companies here are reporting on mandatory requirements." Manager LOCO I shared the same opinion. For example, Manager LOCO I observed that its employees' only concern is their remuneration package. These managers do not see any incentives for reporting something that their stakeholders are not interested in. This phenomenon does not only happen in Malaysia. Collins et al. (2004) find most companies in New Zealand do not get pressure to engage in environmental programmes because of their voluntary nature.

Managers LOCO F, LOCO I, LOCO E, LOCO G, and MNC C stated that they do not know who to report to as there is no explicit demand for social reporting. The lack of demand for social information is supported by the findings of Thompson and Cowton

(2004). They found that besides the public not being interested in social information, financial institutions are also not interested in using environmental information as a criterion in their lending assessment. This is one of the factors that support Manager MNC C's decision to report only to the authorities: "It is the basic requirement by law and we don't know who else to send it to." In addition, these companies do not produce products for end consumers. There is no industrial consumer demand for social reports (i.e. no supply chain pressure). As a result, these companies do not see social reporting as an immediate issue. They settle for reactive measures such as reporting only to audiences as required for compliance. Therefore, these managers were unresponsive to any suggestions of voluntary efforts towards social reporting.

The absence of demand for social information is further demonstrated when companies commit substantively to managing the environment but do not report it to the public. MNC C's commitment was demonstrated when it established an environmental policy and allocated a hefty budget for environmental management. Despite a high degree of standardisation with its headquarters in Japan, MNC C did not engage in social reporting practice as the Malaysian local charter does not require corporate social reporting to the public. Manager MNC C claimed, "Our headquarters basically acknowledges the local charter...if there is no local requirement, we don't report." MNC C's headquarters in Japan was involved heavily in social reporting as it is a *legislated requirement* in Japan. In addition, MNC C prepared social reports for internal reporting to its headquarters in Japan and is ready to report to the public if there was a demand in Malaysia.

Although having a public relations department and recognising the importance of a positive image, MNC C did not use corporate social reporting to enhance its image in Malaysia. This point is further supported when the manager admitted the potential of corporate social reporting as a tool to enhance public confidence. The manager said, "As such practice is beyond statutory requirements, it is telling the people that we are willing to work or spend extra money than is required. The public values it." Although realising the benefits of social reporting, MNC C did not acknowledge

them as incentives for this voluntary activity in Malaysia. MNC C's local top management seem oblivious to social reporting although MNC C's business philosophy clearly emphasises corporate social responsibility. MNC C did not engage in social reporting to the public simply because there was no demand for it in Malaysia.

However, further analysis reveals that the stakeholders referred to by non-reporting companies, apart from MNC C, were specifically shareholders. LOCO I, LOCO E, LOCO F, and LOCO G devoted much of their attention to the expectations of shareholders. This is because the shareholders have a strong influence on these companies' continual operations. Manager LOCO I stated: "Because they invest in you, they put their money in you, so you must keep a record of what you have done for them." The manager stressed that shareholders can pull out their investment anytime if they are not happy with management decisions. She explained: "It is up to them [shareholders] to judge if we don't perform. They can punish the management by selling the shares, as simple as that." Manager LOCO F gave a scenario to validate this claim: The implementation of a new waste water treatment plant as a result of the introduction of new and additional legislated requirements meant large upfront investments with deferred returns for LOCO F. In this case, LOCO F risked short-term investor protest and the possibility of fund transfer. The problem lies where investors prefer short-term returns over long-term cost savings benefits. As such, the manager warned about negative repercussions of over publicity (social reporting to the public):

People are just starting to understand [environmental concerns] and they may read all sorts of things into it. It is not cheap to comply with all these [environmental requirements]. Our waste water disposal systems can run into millions of dollars. To the shareholder, they may read it and say 'why are you spending so much money on them which are not necessary?' At the end of the day, we have to conduct a huge PR exercise to explain to the people about the requirement. To us, it is a waste of a lot of our time. That is why we'd rather take other approaches whereby we comply with existing environmental requirements but if they are

not a requirement or mandatory [to report], we don't bother with it.

In the absence of more general societal pressure, both managers LOCO I and LOCO F were aware of the need for shareholders' continued support and took extra care to maintain the continual state of legitimacy currently conferred by shareholders. As these companies responded mainly to their shareholders' expectations, they will report information deemed important to the shareholders, who were mainly concerned over their financial returns. Manager LOCO G admitted that the only information LOCO G revealed to the public was financial information for investment decision-making process. The "public" LOCO G referred to is, again, purely shareholders as the manager revealed that the majority of those who attended the AGMs were shareholders. In addition, Manager LOCO E claimed that potential and existing investors were the only stakeholders interested in the company.

The extra cost incurred as a result of over publicity is another factor impeding social reporting. From Manager LOCO F's standing, green spending invites extra cost and the possibility of losing funds. Managers LOCO E and LOCO H regarded cost as a factor although they were not too concerned about their non-compliance issues. As the budget for social contributions was limited, they were concerned that the reporting of social contributions will attract more enquiries for social contribution. These managers referred to social reporting as the reporting of their financial contribution to community. Manager LOCO E voiced his worries about disappointing the public: "If we are so keen on reporting these sorts of things [corporate philanthropy], we will invite more requests for donations. Don't you think we will disappoint them when we don't have the sufficient budget?" However, during the latter part of the interview, he admitted that the main reason was to keep cost low as it was important to generate the highest return possible to shareholders.

Management perception and acceptance of corporate social reporting benefits influence the decision to report voluntarily. Managers LOCO F, LOCO I and MNC C acknowledged that the power of command comes from the top. Manager MNC C

stated: “The top management makes all the decisions... audits our work processes every year.” According to Manager LOCO I, all company decisions were initiated from the top, which is the board of directors. Manager MNC C said, “Social reporting has not been suggested by [headquarters].” Social reporting was not one of the decisions. Consequently, to instil social reporting practice, Manager LOCO I insisted that the government or regulatory bodies should make social reporting training compulsory for all the directors. Therefore, any serious effort to promote social reporting should be targeted at the top:

It is the MD [managing director] who needs convincing anyway to do social reporting. If he says ‘yes’, we have no problem... the person who makes the decision must attend... if you are expected to come back [from training] and convince them, that is hard work... you either need to beg them or apple-polish them. The only way to convince the boss is for him to be aware himself rather than us.

Manager MNC C’s belief seems to be in congruence with manager LOCO I’s. Manager MNC C believed that top management had to be convinced that environmental issues were serious issues in Malaysia.

In another example of top management’s significance, LOCO F’s board of directors supported the implementation of a new voluntary human resource assessment programme. Manager LOCO F stated, “It is voluntary and it is costing the company a lot of money. We invest heavily in it because we believe it is helpful in generating better production. Our bosses believe in it very strongly.” The upper management believed that LOCO F was able to generate return from the investment of such a voluntary programme. As such, the practice of LOCO F’s voluntary social reporting was solely dependent on its management’s perception of the benefits that social reporting generates. Upper management would especially be receptive to social reporting if social reporting is linked positively to shareholder value.

All the companies above corporations denied the existence of public demand for social reporting. However, the demand for social reporting is actually explicit (for example, through the efforts of GRI and ACCA). This section of the chapter reveals two findings: (1) The absence of mandatory requirement for corporate social reporting, (2) the legitimacy of the source of demand. Therefore, this section concludes that social reporting will remain at a low level in Malaysia as long as corporate social reporting is not a mandatory requirement or is not demanded by shareholders or customers. LOCO I, LOCO E, LOCO F, MNC C, LOCO H, and LOCO G regard shareholders as having the power to legitimise their existence. These organisations reported only their financial performance and future plans to the existing and potential shareholders because it is this group of stakeholders that the companies perceive to determine their continual operations. Thus, when society as a whole is not engaged in an issue, the source of legitimacy is narrowed to salient groups only – in this instance, shareholders.

6.1.1.2 Issues Management

The findings of this research also illustrate the adoption of issues management from the non-reporting companies' perspective. According to Cutlip et al. (1994), issues management is the early identification of issues and strategic responses to the issues. The relationship of issues management and the concept of organisational legitimacy is established as companies adopt issues management as a tool to obtain legitimacy. Aligned with this perspective, LOCO F and LOCO I tried to influence the introduction of new policies or amend existing ones by adhering strictly to legislated requirements. As such, instead of engaging in voluntary corporate social reporting to influence public policy (for example, see, Adams et al., 1998), they chose to adhere to mandatory reporting requirements to appear favourable to the relevant authorities. Consequently, Manager LOCO I regarded LOCO I as socially responsible as long as it reported to the authorities as required. Similarly, Manager LOCO F insisted on reporting to only the authorities as he emphasised a few times that the requirements

set up by the authorities were to protect society and reporting to the relevant authorities was as good as reporting to society:

We take the trouble to explain to the authorities but we don't bother to explain to the public because...we feel that reporting to authorities is as good as explaining to the public because authorities are supposed to be protecting the public interest at large...we fulfilled all the required rules and regulations which are set up by the various government agencies for the public's benefit.

As legislated reports are set to protect and serve the public, Manager LOCO F saw no reason to report beyond legislated requirements. Manager LOCO F further justified his stand, "Basically, we try to tell them [authorities] we have to take care of the environment for the greater good of the community".

These companies chose to scope their stakeholders and focused on the authorities. Similar to reporting companies, these non-reporting companies also identified differential reporting responses to the demand of various relevant publics, in what is known as "unpacking the public pressure" (Neu et al., 1998, p. 267). Manager LOCO E said that there were just too many stakeholders and the company was unable to meet every stakeholder's demands. He concluded, "Do you think we can satisfy everyone? Then, what is the point [of convincing stakeholders]?" A reason for identifying particular stakeholders was that corporations find it difficult to fulfil these demands with limited resources. Accordingly, companies need to make the necessary tradeoffs among the competing interests of the various stakeholders (Jensen, 2001). It is at this point that organisations begin to analyse the costs and benefits of social reporting to the various stakeholders.

In managing stakeholders, Managers LOCO I and LOCO F acknowledged that reporting is important to the authorities rather than to other external stakeholders. This phenomenon supports the narrowed view of organisational legitimacy that legitimacy is conferred by salient publics rather than multiple publics. The Malaysian

case avoids the tension between legitimacy through compliance with laws and legitimacy through compliance with social norms as outline in Metzler (2001). These companies respond to only salient groups of stakeholders.

As part of their issues management, these companies are found to report to the relevant authorities rather than voluntarily to the public to prevent the introduction of new legislation to curb the incurrence of further cost. Manager LOCO F said:

So, what we want to tell the authorities via mandatory environmental reporting is that there are other cheaper alternatives...What is annoying is that they [authorities] suddenly further down the road found out that their policy is not correct then they reverse it. They can easily go out and make new rules but to the business people it costs a lot of money to us.

Besides imposing new and/or additional regulations, LOCO F further acknowledged the ability of the authorities to determine its fate to continually operate. Manager LOCO F added,

In fact, we heard that they [authorities] plan to shut down the whole industrial area where our current site is operating. All of us [including other factories] are yelling and screaming. All the industries have spent millions of dollars putting up factories there. We know what has been decided for 20 years ago is not suitable for now but then you [authorities] just can't tell us to move!

The instruction to move determines whether LOCO F can continue to operate in a financially sustainable manner. Therefore, LOCO F reported only to the authorities in an effort to communicate their sufficient fulfilment of legislated requirements: “because if you comply with certain regulations, you will obviously need to report to them so that they know you have complied” (Manager LOCO F).

Apart from reporting to authorities to legitimise their corporate activities, organisations also engage directly with the authorities in influencing public policies.

This is part of LOCO F's corporate political strategy. Corporations engage in corporate political strategy to "acquire, develop, and use power to obtain an advantage." (Mahon & McGowan, 1996, p.29; see also Bonardi, Hillman & Keim, 2005). According to Cutlip et al. (1994), as part of issues management, organisations form discussions and dialogues with relevant authorities in the formulation and implementation of policies. LOCO F prefers approaching the relevant authorities to address issues pertaining to reporting its social performance to the public. The manager responded favourably, "Sometimes we do [organise dialogues and discussion sessions]. We bring up relevant issues to the minister. Like this year, we have done two dialogues with the minister on the sitings on where the new industry site should be..."

Manager LOCO F claimed that the *direct* approach was preferred as environmental issues were relatively new in the state. He stated that the authorities lack the know-how of the implementation process of environmental management required by industry:

You see, people need to understand these green issues. The authority and the general public need to be mature about it. At this stage, you get only the heads and directors of departments to be well-versed about it but then the understanding of the ground staff is limited. So, that is why...they understand concepts and principles but when it comes to implementation, they are very slow at it...That is why people need to understand these green issues principles...

Educating stakeholders and altering stakeholder expectations are two of the four legitimacy strategies identified by Lindblom (1994). Manager LOCO F hoped to play a part in educating [government] stakeholders about environmental management in the industry by organising dialogues and seminars and getting involved in meetings to alter these stakeholders' expectations.

However, the authorities face challenges when implementing environmental management in Malaysia. According to political economists (Gray et al, 1996),

economic, social and political considerations are vital if authorities plan to impose decisions on businesses. LOCO F's experience is supported by Tan's (1998) comment that implementing environmental management is a challenge in Malaysia. Manager LOCO F admitted, "We engage in dialogues and push them very hard but when it comes to implementation part, we put our foot off the pedal sometimes because they can only go this far." Manager LOCO F further noted,

There are so many considerations of [implementation of environmental management]. Some of them are political, economic and pure social responsibility but all these are intertwined here [in Malaysia]. We understand and appreciate the government's problems. The government needs to satisfy so many interest groups.

Local factors are important elements to consider when implementing environmental management initiatives. Manager LOCO F hoped to relay to the authorities and the public that proper operating standards have to be catered to the local or national environment:

We are in the [type of industry]. We do a lot of [industry] hygiene and all that and have given a lot of seminars... These green issues must be tailored to meet our own needs and to realise that we are in a tropical country. Most of these green issues come from the Western countries which have got a temperate climate which are different and all that. Obviously, there are already disparities here. That is why I feel strongly that these dialogues will leapfrog... That is why when talking about green issues you need to have a mature audience. Otherwise to a person who has just heard about it, it is very simple and they go out and direct everybody and they don't realise that there are certain standards which are so high that there is no way we can meet them here and it is not required because of the nature of the environment.

With this limitation, LOCO F realised that it is in a position to influence the authorities. LOCO F was taking the opportunity to exert influence and pressure on the authorities on the policy formulation process to their own advantage. Through these efforts, LOCO F wished to impress upon the authorities that it has comprehensive understanding of its operations and its impacts on the environment. These efforts

include the current environmental management programmes needed in the industry. LOCO F aimed to tell the authorities that no further legislated policies were needed in addition to the current operations. As such, it is through these dialogues that LOCO F attempted to alter authorities' expectations to suit its own operations.

In addition to the ability to influence public policies, LOCO F's engagement with authorities reaps other benefits. The move to engage authorities in dialogues provides LOCO F with the opportunity to share its environmental programmes. The manager confirmed:

Like one of the seminars that I've conducted this year. We are the only one that the authorities could use as an example which fulfilled the [legislated] requirement and that is free publicity. So, that is why it is so important to us. That is why we have always gone on this [authority engagement].

In the above quotation, the manager stresses that complying with only mandatory requirements and reporting only to the authorities allow LOCO F to gain extra mileage through free publicity to the public. As demonstrated, LOCO F gets the free publicity because not many companies are following or complying with mandatory regulations. As the manager sees that engaging in dialogues and seminars reaps favourable outcome, LOCO F continues to adopt this strategy instead of corporate social reporting.

The findings demonstrate that the authorities have the ability to impose new and additional regulations as well as determine organisational continuity in the industry. Therefore, besides satisfying shareholders, LOCO F, LOCO I, LOCO E, LOCO G, and MNC C try to satisfy the needs of the *authorities* by adhering strictly to legislated requirements. Issues management practised by these organisations ensures their organisational legitimacy, albeit narrowly defined, to continue their operations.

6.1.1.3 Non-compliance

The non-reporting companies are very careful where voluntary reporting is concerned as they do not want to risk compromising the status quo they currently enjoy in the industry. Being in a dirty, damaging or dangerous category of industry based on Taylor's level of industrial harmfulness to the environment (Taylor, Hutchinson, Pollack, & Tapper, 1994), Managers LOCO F, LOCO I, and LOCO G were concerned that their companies' voluntary reporting efforts will attract issues of non-compliance. Manager LOCO G stated, "People don't like to disclose more than is required if it involves some non-compliance." As LOCO I produced hazardous and dangerous substances to the environment, it prefers to remain unnoticed. Manager LOCO I revealed:

We are in a very hazardous industry... We don't really open up and announce that 'our goods are dangerous; therefore, don't buy our goods'. As far as social reporting is concerned, we are doing as little as possible...

Therefore, LOCO F, LOCO G, LOCO E, LOCO H and LOCO I avoid reporting more than is required to society as they are afraid that further exposure of sensitive information would cost them unnecessary expenditure. As discussed above, the unnecessary cost would upset their shareholders. Manager LOCO F relayed his company's philosophy: "...don't go around looking for trouble." LOCO E shared the same philosophy with LOCO F: "You would create more harm when you talk more." Apart from financial cost, exposure would also cost them legitimacy in the true societal sense. The general public may not make demands while these companies remain unnoticed. However, if any dangerous practices are put out into the open, the general public may well demand change – and remove legitimacy.

Because of the nature of its activities, LOCO I preferred the minimum disclosure regime. The manager believed that reporting social issues will attract unwanted attention that will lead to further non-compliance ramifications. The managers of

LOCO F, LOCO I, and LOCO G are concerned that the complication of these issues might interfere with their current practices and thus incur additional costs:

Honestly, a lot of the board members say minimum disclosure unless they are forced to do social environmental reporting required by regulations. Voluntary, I can't see that happening. They would prefer the whip to come in the form of regulations then they will do... They report what they have to report. They prefer minimal disclosure. (Manager LOCO I)

As large corporations are more politically and publicly sensitive (Belkaoui & Karpik, 1989; Bewley & Li, 2000; Robert, 1992), these companies prefer to remain unnoticed. LOCO F's public exposure is greater than other companies' in the same industry as it is the largest producer and the leader in the industry. For this reason, LOCO F is always the centre of attention and also the target of scrutiny. Manager LOCO F realised this fact:

We are the largest and they always try to pester us. People [enforcers] always point at LOCO F as an example. We are the only factory that possesses the certification of health. We are the first to get waste water disposal unit and all that. However, every time when ours [treatment plant] breaks down, rest assured that enforcers will be there.

LOCO F acknowledged its position in the industry and is extremely careful of its corporate strategies. Extra financial costs occur when smaller competitors make its non-compliance issue public. They may use the information LOCO F publishes to exert pressure on LOCO F to comply with certain environmental management measures. The manager explained, "They [competitors] may want to use this [social information] as a way to hit at our cost especially with the waste disposal thing." The pressures of non-compliance would not affect the smaller competing companies because certain legislated requirements are only applicable to large corporations. This imposes unequal costs among competitors (Lawrence & Weber, 2008). Bursa Malaysia imposes a more stringent disclosure regime for publicly listed companies. Manager LOCO F complained, "We don't want to do it [social reporting]. It is not

fair on us. If we want to do it, we make sure all the rest do it...” Furthermore, companies are reluctant to adopt voluntary environmental programmes if they benefit *not just them but* the entire industry. According to Collins, Corner, Kearins, and Lawrence (2004), an organisation would not likely engage in voluntary environment programmes if doing so would benefit others in the industry. The manager found it unjustifiable if only LOCO F bears the costs but the entire industry benefits. Besides competitors, LOCO F was also worried that suppliers would get access to its cost structure and revamp charges to its disfavour. The manager believed that social reporting brings about detrimental effects instead of enhancing LOCO F’s competitiveness in the market.

LOCO I faces a similar predicament as LOCO F. Although LOCO I does not face hostile competitors in the industry, it is also aware of the financial risk of exposing its current operations. According to Manager LOCO I, everything involves cost and anything more than what is required involves additional cost. Managers LOCO I, LOCO E and LOCO G insisted that they are low profile companies. As a result, they adopt a minimum communication regime. However, all the companies examined are large corporations as they are publicly listed on Bursa Malaysia.

The non-reporting companies are also sensitive about exposing their trade “secrets”. In order to remain competitive, businesses withhold strategic information from their competitors in the market (Bhojraj, Blacconiere, & D’Souza, 2004; Prencipe, 2004). Managers LOCO F and LOCO I were uncomfortable with the idea of their competitors getting hold of their secrets. Both managers regarded their secrets as vital competitive industry know-how. Manager LOCO F referred specifically to his company’s environmental management as one of its major parts of the business processes. For this reason, LOCO F and LOCO I preferred to withhold strategic corporate information, including corporate social reporting.

Managers LOCO F, LOCO I, and LOCO E perceived social reporting to have the potential to jeopardise their position in the industry. They acknowledged the

importance of maintaining legitimacy. These managers did not wish to create demand for social information from publics. They were particularly fearful that reporting the effects of their companies' operations may tarnish its reputation and eventually disrupt its operations. They believed that awareness begets more questioning. These managers believed that remaining 'unnoticed' safeguards their legitimacy. The issue of non-compliance reinforces the companies' reservation about inviting more attention.

6.1.2 Lack of Public Relations Commitment

The lack of public relations commitment is another explanation for poor voluntary social reporting activities. The limited understanding of the public relations function is reflected in the absence of a public relations department for LOCO I, LOCO F, LOCO E, LOCO H, and LOCO G. This absence explains the limitation of issues management practice beyond attention to the authorities and shareholders. Issues management is a public relations' proactive function that identifies, monitors, analyses and manages relevant issues (Chase, 1976 in Wartik & Heugens, 2003). The narrow understanding of the public relations function is observed when Manager LOCO F stated,

...we don't bother to explain to the public because first of all, there is no proper channel to do so to the public. In the annual report, you can't possibly have ten pages explaining this [environmental management], you know what I mean...That is why I say earlier we don't do reporting to the public. Of course, one of the reasons is that we don't want people to misconstrue it [environmental management] and the other reason is there is no point.

Although Manager LOCO F had full authority for decision making, he chooses not to establish a public relations department. LOCO F and LOCO I prefer independent consultants to manage their public relations activities as they do not perceive their operations to be in need of frequent public relations support. Manager LOCO F

claimed that the business runs on routine day-to-day retail activities that do not require public relations activities. At the holding company level, there is also an absence of a public relations department in both LOCO I and LOCO F. Again, the managers claim that the holding company is a small and “low-profile” company and does not warrant such a department.

Although LOCO F engages consultants, its public relations activities are all skewed towards marketing communications supporting the marketing function. Johnston and Zawawi (2000), and Wilcox et al. (2003) state that the integration of the public relations and marketing functions is not uncommon. Cutlip et al (1994) and Grunig (1992) also refer to organisational confusion between the role of marketing and communications. As management does not regard corporate social reporting as a marketing tool, these companies do not engage in corporate social reporting. LOCO F only engages in corporate social reporting when it supports the marketing function of the organisation:

Let's say if I get health certification, obviously this is a good thing for the group. I need to do a big campaign to publicise it. I see no problem in communicating it. I just go and do it. In fact there are several initiatives that we have already started like health mart, nutritional labelling and some accreditation at the farm level. Good farming practices and all that so that the chicken will have all the necessary kindness requirements. These are initiatives that we are looking at very seriously next year. None of our competitors is near us. Once we get the necessary papers out, we will do a huge PR exercise. (Manager LOCO F)

This quotation clearly states that LOCO F will only engage in corporate social reporting if it is a booster for its financial bottom line. At the moment, LOCO F emphasises efforts to boost sales with the assistance of public relations strategies.

As for LOCO I, all public relations activities from press releases to events are handled by the company secretary who is also the finance director. She also handles all corporate communication activities. The absence of a public relations manager

explains the lack of communication effort of these companies. Conversely, the choice to limit communications could also explain the lack of a public relations department. As a result, public relations functions of these organisations are less effective than those of organisations with committed public relations managers (Grunig, 1992).

One prominent reason for not engaging in social reporting is the lack of corporate social performance. According to Clarkson, Li, Richardson, and Vasvari (2008), there is a positive relationship between environmental performance and reporting. LOCO I, LOCO E, and LOCO G do not have many corporate social responsibility programmes. As Manager LOCO E stated, cost was always a problem as corporate social reporting was related to corporate social responsibilities. These companies have to invest in or set aside a significant budget for social and environmental programmes. They had the perception that they have to engage in extravagant programmes in order to have something to report without acknowledging the possibility of employing public relations to identify and manage relevant corporate social responsibility issues that surround their operations. The lack of public relations understanding is one explanation for non-reporting companies' reservation to improve or expand the current social reporting practice.

6.2 SOCIETAL LEVEL RATIONALE FOR REFUSING CORPORATE SOCIAL REPORTING

The national level, the interplay between politics, economy and society that explains organisations' lack of enthusiasm to engage in corporate social reporting is explained by the concepts of political economy and risk society.

6.2.1 Political Economy and The Risk Society

After discussing the potential of corporate social reporting in the manufacturing and masking of risk in Chapter 5, this section of the chapter explains how the absence of

corporate social reporting potentially contributes to the manufacturing of risk in society. As examined earlier in the chapter, the organisational-level concepts that emerged from the analysis as reasons for refusing corporate social reporting are similar to those of the reporting organisations. They are organisational legitimacy, issues management, and public relations. In this section, similar concepts of political economy and risk society in Chapter 5 also emerge to explain the low corporate social reporting practice in the Malaysian context. As mentioned, eight non-business organisations were interviewed for their views of the Malaysian business environment. They are CONS, NGO A, PB A, PB B, NGO B, GOV A, REG, and INVEC.

From the political economic perspective, the relationship between the authorities and corporations has an effect on society (Meltzer, Cukierman, & Richard, 1991). This triangular relationship positions the government at the middle between society and business. Society expects the authorities to protect them and the corporations assume that the authorities have regulations to protect the interest of society. Therefore, organisations believe that reporting to the authorities is as good as reporting to the public. Society would be at risk if this assumption remains in the Malaysian environment. From the national policy point of view, the current Malaysian national policy on economic development is spelled out in its long-term plans consisting of the New Economic Policy (1970-1990), New Development Policy (1991-2000), Vision 2020 (1991-2020), and its mid-term plans like the 9th Malaysian plan (2005-2010) to name a few. As developing nations (such as Malaysia) tend to experience more authoritarian governmental systems until they have attained a minimal threshold of socio-economic development (Handelman, 1996), it is important to discuss the role of the government in the development of business sector in Malaysia.

6.2.2 National Interest

The emphasis on socio-economic development is pertinent in Malaysia as national unity is key after the racial upheaval in 1969. According to the Economic Planning Unit (EPU) (2004), in a non-homogenous country, government intervention in the market place is necessary to ensure national unity by fairer distribution of incomes and opportunities among all ethnic and social groups. With income distribution and poverty reduction as the government's main agenda to manage racial tension (from 1969 to the present), political decisions are mainly guided by economic interest. As a result, the government plays an active role in encouraging private sector advancement. For example, the replacement of the Pioneer Industries Ordinance 1958 (income tax relief) with the Investment Incentives Act 1968, which provides a wider assortment of tax incentives (windows to Malaysia, 2001), aims at encouraging private sector growth. Many of the national policies that are set to encourage industrial development in support of economic growth were explained in Chapter 3. In these policies, there is no means of examining the environmental impact of industrialisation policies and strategies. No appropriate mitigation effort was suggested in these plans. Even the Industrial Manufacturing Plan 3 (IMP3, 2006-2015) does not include environmental concerns. Consequently, society is exposed to the risk of industrial development at the expense of social and environmental development in line with the concept of risk society.

In Malaysia, economic development takes the centre stage in the national agenda. According to PB A, a Malaysian professional accounting body, Malaysia's emphasis on economic development takes precedence over social and environmental concerns. NGO A, an environmental society in Malaysia, quoted an example of the government belief that the introduction of environmental reporting would hinder corporations from achieving their [financial] objectives. The president of NGO A stated: "The government is very business friendly...you can come in and do whatever you want". According to NGO A, the government was more interested in economic development than sustainable development. Such a position does not promote the adoption of

corporate social reporting. Consequently, the national agenda on social and environmental interests are of secondary importance. According to PB A, “Currently, corporate governance focuses more on financial reporting. It is more economically focused on accountability and responsibility.” According to the concept of political economy (Gray et al, 1996), economic, social and political considerations are vital if authorities plan to impose decisions on businesses. As the Malaysian government is currently placing emphasis on economic development, its environment is naturally economically charged. Director PB A quoted that he organised a talk with a renowned international researcher in social reporting: “The crowd who turned up wasn’t a large one. I had only about forty (40) participants who turned up and they are made up of mostly academics and junior staff rather than decision makers of companies like CFOs”. Congruent with Manager LOCO I’s view discussed earlier, the top managers are only interested in satisfying their shareholders’ return. According to NGO B, a charitable conservation organisation, “Its all about financial bottom line” (Friedman, 1970).

Although Malaysia’s national policies have been skewed towards economic development, natural environmental policies are not totally left out. For example, Malaysia embraces the Rio Declaration and Agenda 21 (for more examples, refer Chapter 3). However, the monitoring and implementation of these international conventions in Malaysia has been a great challenge when integrating environmental considerations into development planning. The Economic and Social Development in Asia and the Pacific (ESCAP) report (1999) indicates the lack of governance, weak coordination between the specific authorities, lack of statutory instrumentation, and poor implementation in Malaysia were to be blamed. In addition, poor enforcement of existing legislation, insufficient institutional capabilities and trained personnel, inadequate environmental awareness among the general public and poverty were also identified for the failure to adhere to these international treaties. Nevertheless, the main reason is the inability to link environmental preservation with development planning (Tan, 1998).

6.2.3 Societal Interest

A pertinent issue that this study observed is the nonchalant attitude of Malaysians regarding social and environmental impact. Although the degree of concern for the environment varies widely (Mohd Sharkan, 2002; Tan, 1998), Malaysians are, in general, low in environmental concerns. The Malaysian Natural Resources and Environment Minister admitted: “Malaysia is left behind, compared with Thailand and Singapore, when it comes to the people’s level of awareness concerning global warming” (Tan, 2007). PB A wondered: “So much has been said about social reporting, [but] is there actually a demand for it? Are stakeholders actually asking for these reports?” According to NGO A, Malaysians are bothered only about their investment. Malaysians in general do not realise the impact of climate change as they are driven by the need for economic development. This point is supported by PB A: “You may not believe it but people [shareholders] asked for bonus shares instead of meeting accounting standards...they are just interested in financial performance of the company.” Consequently, the government finds no reason to implement rulings on social reporting when society has no interest in it. When asked what would motivate companies to embark on social reporting, GOV A, a significant unit of a ministry that looks into the formulation of policies and strategies for socio-economic development of the nation, responded that society should be pressuring the companies and not them. One of the reasons why the government does not feel the need to do more is that it does not feel any pressure to do so. According to GOV A, society does not demand social reporting at all. As social relations provide the ground rules for an economic order, business practices are also determined by society and politics. As long as there is no demand and pressure for social reporting in Malaysia, the level of corporate social reporting remains low in the nation.

Many organisations do not adopt social reporting because it is a voluntary practice. The voluntary nature of social reporting also means that corporations can choose to ignore when societal pressure to comply is low. According to PB B, most local companies will not respond to anything unless it is regulated. This is supported by the

manager of REG, a premier fund-raising and investment centre for securities and derivatives in Malaysia, although she admitted that social information is an important source of information. “The logic is simple. Why do companies need to report when there is no pressure or requirement?” As long as social reporting remains voluntary, the role of REG is limited to encouraging social reporting. The absence of pressure contributes to the slow acceptance of social reporting by corporations in Malaysia. INVEC, a socially responsible investment (SRI) company, quoted two MNCs in Malaysia that pursue social reporting actively. According to INVEC, the pressure for these two MNCs’ active social reporting practice is from their home country instead of Malaysia. In addition, CONS, a large international conglomerate of consultants in Malaysia, affirmed that Malaysian companies will only choose to disclose when they see a direct value (financial) attached to these efforts: “What matters is the contribution to the financial bottom line” (Wilmschurst and Frost, 2000). NGO B agreed with CONS and believed that the only way to encourage social reporting is to make it relevant, which is: “you have to show how it [social reporting] makes money”. As the link between social reporting and the financial bottom line is weak, the private sector is slow in adopting corporate social reporting.

Although there are signs of increased demand for environmental information by investors in general, they are more interested in quantifiable (monetary) social responsibility information which relates directly to the financial statements for investment decision making (Milne & Chan, 1999). However, they emphasise that it is not the importance of social information that is in question but the inclusion of narrative social information in investment decision analysis (see also Nyquist, 2003). According to CONS, apart from a few “green investors” in Malaysia, institutional investors in Malaysia do not have social and environmental concerns in their investment criteria. Thompson and Cowton (2004), Deegan and Rankin (1997) and Teoh and Shiu (1990) who suggest that bankers and investment analysts regard social and environmental information as of little or no importance to them. Although there may be many international socially responsible investors (SRIs), Malaysian companies are content with local investors who demand nothing more than meeting

their financial bottom line requirement. Furthermore, as long as Malaysian companies do not source international funds (from for example, the World Bank, International Monetary Fund, and other international investment companies), they remain resistant to external pressure for social reporting. This is one of the impediments to foreign investments (NGO A). All non-reporting companies' commitment to only mandatory reporting reflects the Malaysian environment which down plays corporate social reporting. As far as the authorities are concerned, these companies are able to produce a clean bill of health. When organisations are not held accountable to society with their business decisions, society remains in the dark with regards to industrial environmental and social footprints.

As demonstrated, detrimental effects on society will continue to persist as long as economic interest supersedes all others on the national agenda. Beck (1992) argues that society in the 21st century is at risk of economic development. However, businesses alone cannot be blamed for the risk society faces. Government and society should also be held accountable as they also influence the economy. This study advocates the understanding of corporate social reporting from a holistic context which takes social and political processes into consideration when explaining corporate or national level economic performance (Tinker, 1980).

6.3 CONCLUSION

From the discussion above, the research concludes that organisational legitimacy is not only the main reason for Malaysian companies to engage in corporate social reporting, it is also the main explanation for organisational *unwillingness* to participate in corporate social reporting. However, this study exposes a narrow application and understanding of organisational legitimacy whereby non-reporting companies in Malaysia respond to only *salient stakeholders* – shareholders and authorities –*who confer them legitimacy*. None of these companies find any reason for engaging in voluntary social reporting efforts as they see no public demand for such reports. The non-reporting companies' managers maintain that the general public

never request such reports at this point in time. Consequently, the managers find no incentive to report voluntarily to the non-demanding public, including and especially to shareholders. Although these companies attributed the lack of public demand as the main reason for limited social reporting effort, it is actually the meeting of shareholder interest which is the companies' primary concern, as explained – low operating cost, maximum returns – to maintain legitimacy. These companies react to shareholders' demands as shareholders provide investments for them.

Issues management is also a driver for companies to concentrate only on mandatory reporting. The connection of issues management and organisational legitimacy is established when companies pay attention to the requirements of the authorities and shareholders. In the absence of any current concern from society, these companies only need to worry about authorities and shareholders for their continued viability. As the authorities set reporting standards to protect society, these companies claim that adhering to mandatory reporting requirements justifies their responsibilities to society. In addition, minimum reporting conceals their non-compliance issues. Besides reporting, the analysis revealed that these companies prefer active and direct participation as opposed to social reporting in influencing the formulation of policies that affect their operations. This preference explains social reporting's lack of popularity.

Besides stakeholder concerns, this chapter also reveals limited appreciation for public relations practice. Companies fail to relate to corporate social reporting as a public relations' tool that could contribute to firms' financial bottom line. These large organisations have long-established operating standards and practices and have proven to be effective in their respective industries in Malaysia. Consequently, they find it difficult and unnecessary to embrace unfamiliar management concepts such as corporate social reporting.

From the societal level, this study finds the pressure from both the authorities and society on companies to report social performance is minimal in the Malaysian

environment. In Malaysia, it is evident that the government emphasises economic over social and natural environmental development. This study concludes that when the political decisions of a country are based on economic development, society risks the consequences as the accountability of corporations are based on the best economic decisions over social and the natural environment. As a result, this chapter indicates that the rationale for not engaging in corporate social reporting is determined by both the macro (national specific environment) and micro level motivations (for example, organisational legitimacy).

CHAPTER 7

CONCLUSION

The chapter begins with what the research is all about and its contribution to the field of corporate social reporting. It proceeds with the implications of the thesis to theory, practice and policy making. The chapter ends by providing suggestions for future research.

7.1. IN A NUTSHELL

The review of the literature has shown that there has been an increased global trend in corporate social reporting (ACCA, 2004; GRI, 2005, KPMG, 2005, Bruce, 2007; Cooper & Owen, 2007; Hess & Dunfee, 2007; Gibson & O'Donovan, 2007; Kaptein, 2007). Many studies indicate public relations as one of the main drivers for social reporting (see for example, Brown & Deegan, 1998; Nasi & Nasi, 1997; Neu et al., 1998; Patten, 1991; ACCA, 2004; Adams, 2002; Gray, et al., 1988; Nik Ahmad & Sulaiman, 2004). These studies have found that companies are motivated to report their social performance to enhance their image in the eyes of their stakeholders. However, public relations has not been the central concept. This research fills the gap in the literature by embracing the *public relations* perspective. It is from the rationales for corporate social reporting that the public relations perspective emerges as the central theme. This study also finds that social reporting rationales illuminate corporate sentiments about how corporations feel about social reporting. Finally, this study examines national factors influencing the development of social reporting; that is, the national socio-political context. The research was guided by the following research questions:

1. What are the rationales for Malaysian companies for engaging or not in social reporting?
2. How does national context affect corporate social reporting in Malaysia?

This study provides a qualitative interpretive approach in addressing these questions. The main findings show that companies engage in corporate social reporting for public relations reasons. Social reporting is used for corporate publicity, image and identity creation, and as an issues management tool. Further analysis reveals that the underlying reason for reporting is to attain or maintain organisational legitimacy. The findings also reveal hindrances for engaging in corporate social reporting. This study finds organisational legitimacy, issues management, and image and identity *also* to be the reasons for avoiding social reporting. In other words, corporations provide similar reasons for the motivation as well as hindrances for corporate social reporting.

There are two distinct reactions towards social reporting among these companies: Reporting corporations are in favour of social reporting and non-reporting corporation are not. The answer to research question two is embedded in the answer to question one.

Responding to research question three, this study finds national factors unique to Malaysia, such as the political and economic scenes depicted in its various national development policies such as the Malaysia Plans, and the level of societal pressure to influence the motivation and refusal to adopt social reporting. Although past research acknowledges corporate social reporting to be different across countries (see Adams, 2002; Chapple & Moon, 2005; Ho & Taylor, 2007; Nielsen & Thomsen, 2007), their emphasis was on finding explanations for the different patterns of social disclosure. Little research has attempted to explain the differences from a political, cultural and social perspective, particularly in Malaysia. The theory of political economy is applied to explain the political and economic forces that mould the Malaysian

environment. Also, in this study the concept of a risk society is associated with corporate social reporting. Society faces risk when social reporting is absent as well as when corporations adopt social reporting. Thus this research presents social reporting as a double-edged sword. Companies' activities can be called into question when society perceives them to be a risk. Thus, perception is key in bringing latent risk to the surface as an issue of public concern.

This thesis contributes to literature in a number of ways (1) the research approaches corporate social reporting from a *public relations* perspective. As mentioned earlier, although many researchers relate social reporting motivations to image and identity, these concepts have not been the main focus of discussions (see, for example, ACCA, 2004; Adams, 2002; Gray et al., 1988; Nik Ahmad & Sulaiman, 2004). (2) This research is conducted from an interpretive *qualitative* approach. Face-to-face interview data for social reporting studies are rare. Most studies have been from a positivist quantitative approach (see, Adams et al., 1998; Gray et al., 1995; Patten, 1991; Purushothaman, 2000; Teoh & Thong, 1984; Tsang, 1998; Walden & Schwartz, 1997). (3) This research also set out to determine corporate social reporting *deterrence* factors. Much research has been designed to determine motivational factors while ignoring factors that hinder social reporting practice (see, for example, Hooghiemstra, 2000; Nielsen & Thomsen, 2007; O'Donovan, 2002). (4) The interpretation of corporate social reporting from a *risk society* perspective is explored for the first time in the literature. Each of these areas of original contribution is further elaborated on in the implications section below.

7.2. THEORETICAL IMPLICATIONS

This study has important theoretical implications because it provides a new way of looking at corporations' motivation for and against social reporting. The contributions to theory are at two levels: corporate and national. However, the explanation is divided into three parts: (1) corporate motivation for social reporting,

(2) corporate rationale for resisting social reporting, and (3) national context and risk society.

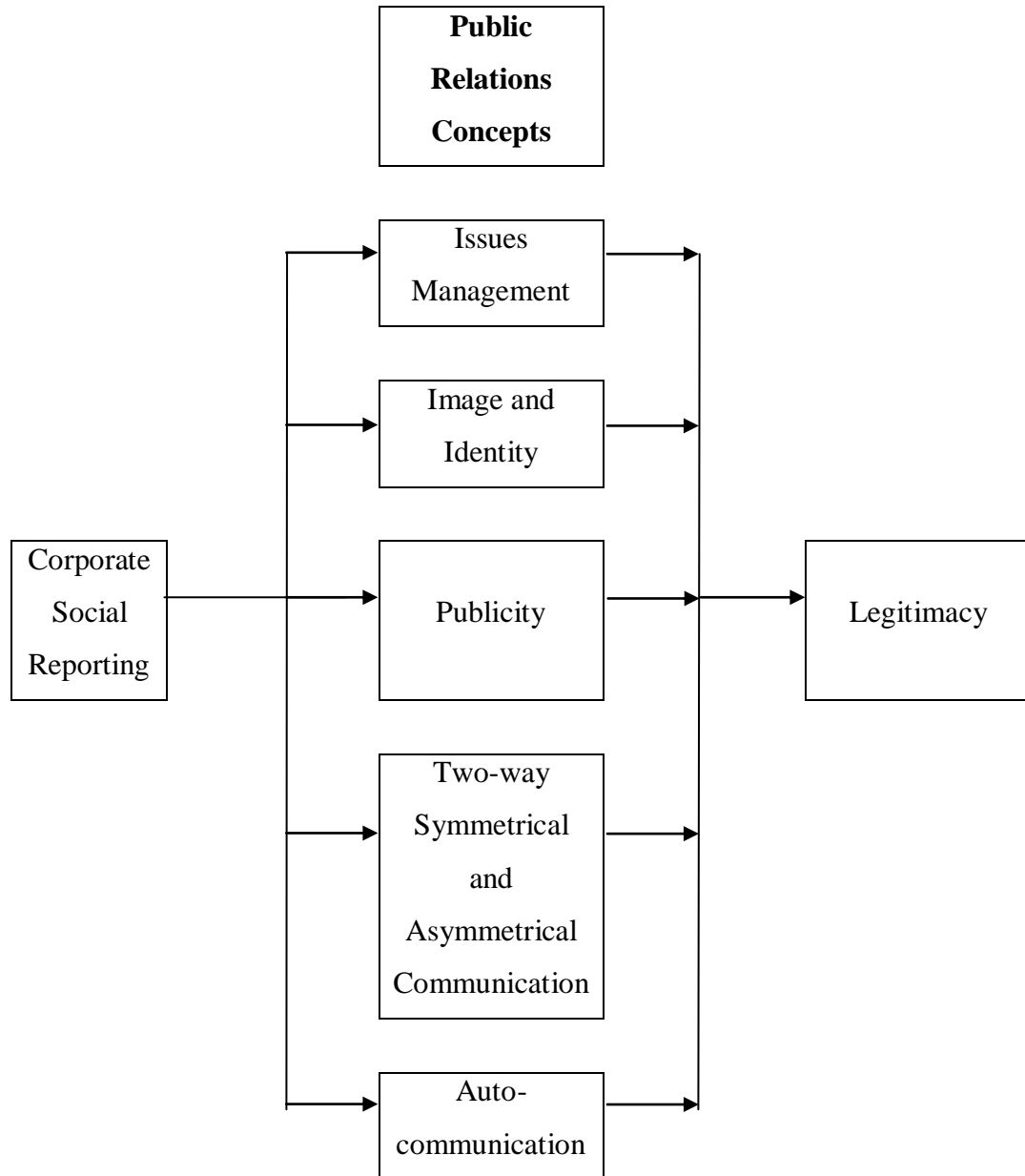
7.2.1 Corporate Social Reporting Motivations

The public relations perspective provides a new approach to the study of corporate social reporting rationale. Specifically, the main concepts identified as motivations for corporate social reporting are *organisational legitimacy*, *image and identity*, and *issues management*. Other related concepts are *auto-communication*, *two-way symmetrical* and *asymmetrical communication*, and *stakeholder perception* (refer Figure 7.1 below). Supporting existing literature, this study finds the ultimate reason for corporate social reporting is to attain or maintain organisational legitimacy. It is important for organisations to attain legitimacy as it ensures societal support for continuous organisational operations (for example, see Deegan, et al., 2002, Dowling & Pfeffer, 1975, Suchman 1995). Although the notion of organisational legitimacy has been applied previously to explain corporate social reporting rationale, this research contributes to literature by bridging this concept with public relations to specifically explain social reporting rationale. One of the ways these organisations attain legitimacy is by portraying a favourable image and identity to their stakeholders. It is demonstrated that the concepts of image and identity are related to the concept of organisational legitimacy when organisations employ corporate social reporting as a tool to portray a positive image for societal support (ACCA, 2004; Adams, 2002; Hooghiemstra, 2000; Nielsen & Thomsen, 2007; Nik Ahmad & Sulaiman, 2004). These organisations demonstrate their positive identity by managing public perception.

In aiming to influence public perception, reporting organisations employ two-way symmetrical and asymmetrical communication to address public concern (Grunig & Hunt, 1984; Roper, 2005) through corporate social reporting. Whether or not organisations alter their corporate actions, this study discovers that corporate social reporting acts as an avenue in providing a platform for a two-way relationship

between organisations and the public (Dierkes & Berthoin-Antal, 1985; Ullman, 1985). This form of public relations engagement portrays organisational concern for their stakeholders.

Figure 7.1: Corporate Social Reporting Motivations



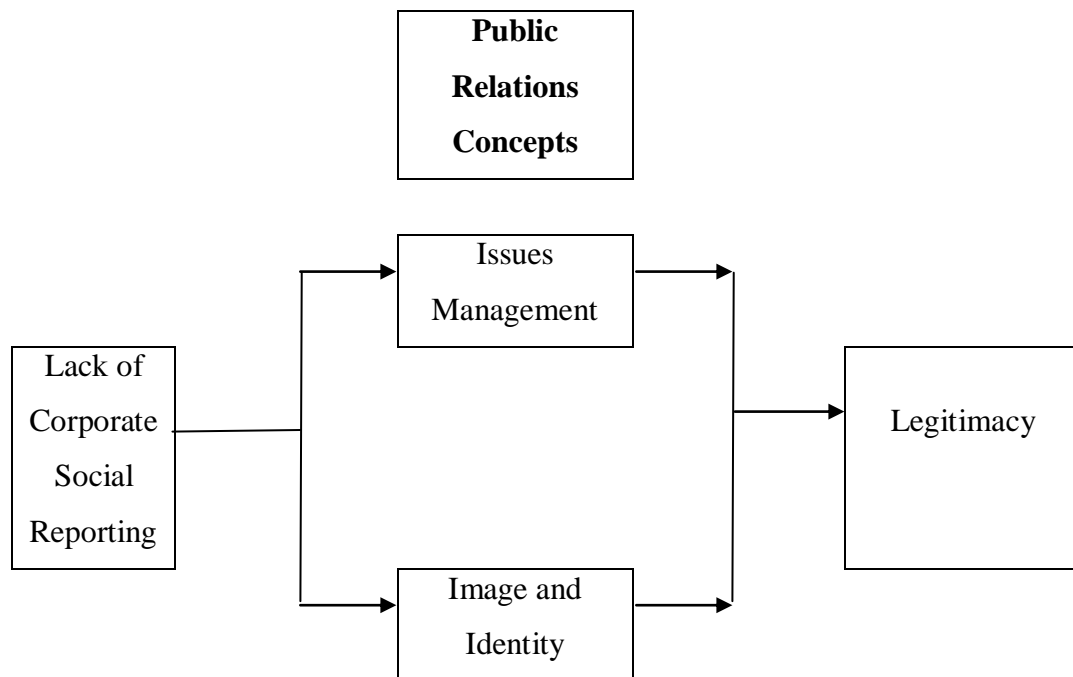
Further, reporting organisations acknowledge the ability of a corporate social report to function as a document that communicates to both internal and external stakeholders. Lotman (1977; 1991) calls this “auto-communication”. In addition, organisations that promote employee engagement programmes get extra publicity when their efforts are reported. Corporate social reporting is used as a public relations tool to again enhance reporting companies’ image as a caring organisation.

Linked to concerns of image and identity, issues management emerged as one of the main concepts to explain corporate decisions to engage in social reporting. Apart from managing issues pertaining to local community and employees, these reporting companies manage their local authorities by portraying their corporate citizenship (through corporate social reporting). As a result, the local authorities continue to support these companies as long as they justify their worthiness. Hence, the reporting companies manage issues surrounding them by employing corporate social reporting.

As public relations is the management communication function that builds beneficial relationships between an organisation’s internal and external publics on whom its success or failure depends (Cutlip, Center & Broom, 1994; see also Grunig, 1992; Seitel, 2004), this study suggests it to be the *main* motive behind corporate social reporting. Corporations use corporate social reporting as a positive image tool to manage issues surrounding them. Ultimately, corporations aim to secure their relevant stakeholder support to ensure their continuous operations which is consistent with the concept of organisational legitimacy.

7.2.2 Deterrents of Corporate Social Reporting

As past research concentrated on corporate social reporting drivers, this research contributes to the literature by investigating *deterrents* of corporate social reporting. Although non-reporting companies give various reasons to justify their lack of reporting, their ultimate reasons revolve around the main concepts of organisational legitimacy, image and identity, and issues management (refer Figure 7.2).

Figure 7.2: Corporate Social Reporting Deterrents

One of the main reasons the non-reporting companies provide to explain their limited corporate social reporting initiative is the lack of stakeholder demand for such information. However, this study discovers that the stakeholders these companies refer to are specifically their *shareholders* who demand returns on their investments and not social reports. Corporations “kow-tow” to them because, at least in the short term, they determine these companies’ continued existence. Their acknowledgement of the importance of shareholders exemplifies Friedman’s (1970) stockholder theory. Apart from applying organisational legitimacy as the main theory to explain corporate deterrence from corporate social reporting, this research finds non-reporting companies’ regard to specific stakeholders paradoxically expands organisational legitimacy theory. When society as a whole is not engaged in an issue (corporate social reporting in this case), the source of legitimacy is narrowed to salient groups only: shareholders and authorities.

Another reason companies choose not to report social performance is for the fear of negative connotations of social reports (Dawkins, 2004). This choice is due to bogus reporting because of the absence of third party verification. Instead of enhancing their image, corporations may risk tainting it. Therefore, they are reluctant to associate themselves with unscrupulous social reporting. In other words, corporations avoid social reporting because they want to maintain their “positive” image. Further analysis reveals that the lack of public relations and social responsibility understanding kept corporations away from social reporting. As a result, these companies adopt methods like direct stakeholder engagement rather than social reporting as part of their issues management practice. To these corporations, direct stakeholder engagement is more effective than social reporting to address specific stakeholder concerns that legitimise their existence.

The implications and contributions to literature of this section to theory are threefold: (1) the incorporation of *public relations* concepts as the motivation of social reporting, (2) the investigation of corporate *deterrence* from social reporting, and (3) the application of *organisational legitimacy theory* as the main reason to explain the motivations *and* deterrents of corporate social reporting.

7.2.3 National Context and Risk Society

The second part of Chapters 5 and 6 highlighted the interaction of the social systems in business decisions, specifically the decision whether to embark on corporate social reporting or not. According to political economists (Gray et al., 1996), economic, social and political considerations are vital for any business decisions. Therefore, any business decisions will have implications for these considerations. This study finds that organisations are not motivated to engage in voluntary corporate social reporting in Malaysia because they do not receive any pressure or incentives from the authorities or society. The authorities maintain that they, in turn, do not receive pressure from society demanding corporate social reports. This phenomenon is evident as the Malaysian society is living in an economically-charged environment

set by national policies. In this scenario, businesses are left with great autonomy to exercise accountability to society. In other words, the triangular relationship of economy, society and politics in Malaysia supports the concept of *political economy* in existing social reporting literature.

At the societal level, this study also relates the *risk* implication championed by Beck (1992) to companies' decisions whether or not to engage in corporate social reporting in Malaysia. This research posits that society is exposed to risk regardless of whether organisations *engage* in corporate social reporting or *choose not to*. As a result, corporate social reporting acts as a *double-edged sword*. Although corporations engage in social reporting, the validity and reliability of social reports remain significant issues (see also Arnot, 2004; Hedberg & Malmborg, 2003; and Nyquist, 2003). As there is no third party verification, the exploitation of corporate social reporting exposes the public to the risk of manipulative reporting in the aim of securing stakeholder support (DeTienne & Lewis, 2005). Consequently, the public risks supporting organisations whose reports misrepresent social performance. Apart from bogus reporting, this study finds reporting of *genuine* social performance to also expose society to risk. Here, the reporting of social performance acts as an indicator of risk society faces. This is supported by the concept of risk society which holds that society manufactures risk in the name of industrialisation (Beck, 1992). In other words, corporate social reporting influences public perception which, in turn, *manufactures* risk in society.

Besides embracing social reporting, this research finds the *denial* of such effort also exposes society to risk. From a political economy perspective, the government is placed in a relationship between society and business (Meltzer, 1991). In this relationship, society expects the government to look into its best interest. Society is exposed to risk when the Malaysian government puts primary emphasis on economic development, compromising on environment and social development as a result. The focus on national economic development explains the lack of public interest in social

reporting and the challenge of implementing social and environmental management (Tan, 1998).

This study provides a *new* way of conceptualising corporate social reporting by highlighting *public relations* as the main motivation for social reporting. Apart from motivation, this research examines the reason for the *lack* of social reporting practice. It also contributes to the discussion of the *risk society* in social reporting literature. In addition, *organisational legitimacy* and *political economy* theories applied in this research support existing social reporting literature.

7.3 MANAGERIAL IMPLICATIONS

It is imperative for managers to understand the implications of this research as it highlights corporate social reporting rationale, effects, and modus operandi for decision making. The implications for theory section discussed earlier indicated the concepts of organisational legitimacy, issues management, and image and identity as the main concepts to explain corporate social reporting rationale. This section summarises the benefits of engaging in corporate social reporting followed by the implications of not reporting social performance.

This research shows that corporations use corporate social reporting as an issues management tool to manage issues pertinent to themselves. It is important for corporations to manage issues before they mature into public policy (Cutlip, et al., 1994; Daugherty, 2001; Heath, 1997; Seeger et al., 2001). This is because the introduction of new and changing of existing policies may require them to fire fight (Seeger, et al., 2001) or incur additional costs (Roberts, 1991; Roth, 2000) which impede their operations. This research highlights some of the issues organisations perceive as important enough to warrant corporate social reporting. They are explained below.

Corporate social reporting provides a distinct and favourable image and identity (Tubiolo, 2000) and acts as a differentiation tool (Brady, 2007) that entails competitive advantage (Balmer & Gray, 2000; Daft, 2005; Teo, 2007) especially in the global environment. As globalisation encourages corporate social responsibility (Gant, 2004), Malaysian companies should be sensitive towards changes in their environment. This is even more pertinent when the number of organisations engaging in corporate social reporting in Malaysia is limited. Various initiatives such as corporate awards to encourage corporate social reporting have resulted in vast and desirable publicity for recipients. The image and identity as a caring and concerned corporate citizen attract stakeholder support (Tubiolo, 2000) as they match selective stakeholders with their selective expectations (Gardberg & Fombrun, 2006). As indicated by the concept of organisational legitimacy and in this research, stakeholder support is crucial in determining continual organisational operations. From a public relations perspective, corporate social reporting functions as a public relations tool which enables organisations to form distinct images and identities in the eyes of their stakeholders.

According to Morsing (2006), the most avid and passionate reader of corporate social reports are actually employees i.e. organisational internal stakeholders. It is evident that the organisations in this research engage this form of communication because of internal stakeholder support (Low, et al., 1985). According to Lockwood (2007), employee support promotes competitive advantages. Corporations should adopt corporate social reporting because with the favourable image, these companies get to retain loyal employees (Abdeen, 1991) by promoting a sense of belonging (Scott, et al., 1998) and attract quality employees (Greening & Turban, 2001; Luce, Barber and Hillman, 2001; Pruzan, 2001; van Riel, 1995).

This study also highlights the effects of *not* engaging in corporate social reporting. Although non-reporting organisations also practise public relations to maintain legitimacy, their non-reporting stance may be the result of a lack of public relations understanding. Organisations down play public relations' role in strategic

management decision making as long as the relationship between public relations and financial bottom line remains weak (Johnston & Zawawi, 2000; Moore, 1996). As long as short-term returns are organisations' emphasis, they will fail to see corporate social reporting as a useful public relations strategic management tool. What these companies are doing at the moment is shunning their social responsibilities to society.

Ironically, some organisations avoid corporate social reporting also because of image and identity management (Dawkins, 2004). These organisations do not wish to be associated with organisations that engage in unscrupulous reporting. However, further analysis finds these companies to be practising minimum corporate social responsibilities. These organisations do not find that corporate social responsibility and social reporting add value as they believe they are doing well and need minimum input from stakeholders. Companies risk losing stakeholder support when stakeholders do not respond to the legitimacy strategy as the companies intended. Consequently, the danger is that stakeholders will sense the lack of interest and begin to support organisations that do engage with them. Therefore, managers should promote public relations understanding and encourage corporate social responsibility and reporting because public relations interprets public attitudes towards their organisations. Management uses these inputs for decision making which then create a favourable business environment conducive to achieving financial goals.

7.4 GOVERNMENTAL/POLICY IMPLICATIONS

The results indicate that the Malaysian government is in an influential position to encourage corporate social reporting. The government's initiative would be a great force in encouraging corporate social reporting as the business community regards the authorities as a significant stakeholder which has the power to grant them legitimacy. In addition, the Malaysian government should encourage corporate social reporting as a public relations tool especially when corporations seek the link between corporate social reporting and the financial bottom line. The importance of the financial bottom line is apparent when most interviewed organisations regard their shareholders as

their primary or only stakeholder. This research contests Bursa Malaysia's explicit disparagement of corporate social reporting as a public relations tool (see Bursa Malaysia, 2006). As opposed to the negative connotations, this study demonstrates how public relations encourages corporate social reporting. In other words, audited corporate social reporting should be encouraged as a public relations tool because with careful corporate social responsibility communications organisations can engage with their stakeholders, attract potential investors, and avoid mitigation costs. This is in line with the Malaysian Prime Minister's 2007 Budget speech which regards corporate social responsibility as a step towards attracting both local as well as FDIs. Although the 2007 budget increased the ceiling tax deduction of social responsibility contribution, the effectiveness of such tax relief may be in question as the previous 5% deduction was not effective. Consequently, this research proposes a policy that encourages social responsibility through public relations.

However, Bursa Malaysia's concerns of corporate social reporting as a public relations tool cannot be dismissed. The authorities are apprehensive towards unscrupulous social reporting which is also the concern of non-reporting companies found in this study. As discussed earlier, social audits are vitally important in ensuring ethical social reporting (DeTienne & Lewis, 2005). In order to carry out social audits, a more established social reporting framework needs to be present. However, this research does not suggest a rigid framework but a general template to be followed instead of the current any-format-will-do social reports. As a rigid social reporting framework may impede creativity (see Bansal & Roth, 2000; Williamson & Lynch-Wood, 2008), a flexible template which takes into account various stakeholder considerations is imperative. For example, the G3 Sustainable Reporting by GRI recommends a general reporting guideline. However, it also has an industry-specific reporting guideline. This study suggests that the authorities adopt two-way symmetrical communication with their respective stakeholders in order to encourage acceptance and to legitimise a proposed template suited for the Malaysian environment.

7.5 SUGGESTIONS FOR FUTURE RESEARCH

This study suggests that future research incorporate individual managerial decision making into corporate social reporting. Although studies of corporate social *responsibility* and managerial decision making has been extensive (for example, Muller, 2007; Ricks Jr., 2005; Valand, 2005; Weiss, 2005), studies of corporate social *reporting* are limited. This research examines cultural factors to determine national differences. Research on cultural influences on individual managers will contribute to corporate social reporting literature.

This study also suggests future research be conducted on non-core product producers. As mentioned earlier in Chapter 4, all non-reporting companies were core product producers. Consequently, they do not have a direct relationship with the end-consumers and so do not experience demand for producing social reports. Therefore, research potential emerges to investigate whether there are differences between companies with direct and non-direct end-consumer relationship.

At the time this research was embarked on, corporate social reporting was still voluntary in Malaysia. However, corporate social reporting was made mandatory when the Prime Minister announced the 2007 budget. Therefore, a research opportunity has emerged to study mandatory corporate social reporting in Malaysia as companies are required to abide by a loose social reporting framework. It would be interesting to study whether the one-size-fit-all social reporting framework meets stakeholders' expectations (see Williamson & Lynch-Wood, 2008). This research suggests that future researchers examine:

1. The user friendliness of the proposed mandatory reporting guidelines.
Are corporations comfortable with the proposed guidelines? What are the strengths and weaknesses of the guidelines?

2. The problems corporations face when they incorporate the guidelines for the first time.

The implementation of mandatory corporate social reporting would be encouraged when enforcers understand the problems corporations face when they embark on social reporting for the first time.

3. The validity of corporate social reports.

As discussed earlier, the issue of validity is one of the reasons organisations shy away from corporate social reporting. It is suggested that research be conducted on corporate social reporting validity issues. Corporations might be more ready to embrace corporate social reporting when the issues of validity are addressed.

7.6 CONCLUDING REMARKS

Although the reliability and validity of social reporting are in question, these issues do not stop companies from engaging in social reporting. MNC A, for example, is still committed as it sees the benefit of social reporting. The manager maintained, “I see flaws in social reporting but we are committed to continuously improve. It is not a rigid process. Corporate social reporting is an evolving process.”

Corporate social reporting encourages corporate social citizenship, which enhances corporate social responsiveness and accountability. Reporting companies tend to be more sensitive towards their stakeholders. Companies that are sensitive to their stakeholders’ expectations are well positioned to create social responsibility programmes that enhance their reputation (Argenti, 2003).

Nevertheless, the findings indicate that companies realise social accountability as a trend when society gains more social and environmental exposure. From the interviews, non-reporting companies are considering the possibility of setting up public relations departments to look into issues of interest to the organisations and their stakeholders. In addition, these organisations are also conscious of their

reporting effort as they do not wish to be reprimanded. These are indicators of the growing recognition organisations place on public relations and corporate social reporting.

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APPENDICES

NATIONAL REPORTING COMPANIES

Does your company engage in any corporate social reporting activities/ does your company possess a corporate social reporting policy?

→ **YES**

1. Where are they published?
2. Among all that you have mentioned, which one do you/your company most emphasised?
3. Why is this particular media emphasise?
4. Do you have a target audience?
 - a. Who are they?
 - b. Why they and not others?
 - c. Why is it/are they emphasised?
5. What social aspect of reporting is emphasised?
6. How did you come up with what you want to report?
7. Does your company engage in stakeholders' meetings/opinion to determine what to report?
 - a. If yes, why? If no, why not?
8. Did your organisation change/ alter its operations according to your stakeholders' feedback?
 - a. If yes, why? If no, why not?
9. Who takes on the flagship of reporting them?
10. How many staff are involved in monitoring the report?
11. How large is the department?
12. How much is allocated (in RM/%) from the total budget annually for reporting of social issues?
13. Do you think that the social reporting effort is important? (or is it just a 'have-to-do' thing?)

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14. Why do you think it is important?
 15. How does reporting of social activities affect your organisation?
 16. Does reporting of social performance expose yourself to scrutiny?
 17. If so, why do you still report besides the negative feedback?
 18. At what level is social reporting in your organisation? (strategic/operational)
 19. Is the top management supportive of this initiative?
 20. Why do you think your top management is supportive of this initiative?
 21. How committed is your top management to this effort?
 22. How receptive is your management towards suggestions made on social reporting?
 23. Does it harness positive public reputation?
 24. In what way does it harness/ Why do you think it does not?
 25. Does your organisation report social issues voluntarily or is it because of external pressures?
 26. What do you think will happen if you do not comply with these pressures?
 27. Do you see it as a competitive advantage to be reporting on social performance?
 - a. Why do you think so? How?
 28. What impact has the corporate awards on your organisation?
 29. Do you see any flaws/ weaknesses in the current social reporting effort?
 - a. Like what?
 30. Does your company have any dealings internationally?
 31. Does your company experience any social reporting requirement?
 32. Are there any efforts carried out to promote social reporting in your organisation?
 - a. Like what?
 33. What could have done to promote the acceptance of reporting further?
 34. Do you face any problems carrying out this effort?
 35. What is the biggest problem?

36. How would you suggest to overcome the problem?
37. Has any effort been carried out to overcome the problem?
 - a. Like what?
 - b. Why not?
38. Do see your company continuing this effort in the future?
39. What makes you so confident?
 - a. What makes you say so?

NATIONAL NON-REPORTING COMPANIES

Does your company engage in any corporate social reporting activities/ does your company possess a corporate social reporting policy?

→ **NO**

1. Who would you consider as your stakeholders?
2. Do you consider the stockholders, government, public, employee, customers and children your stakeholders?
 - a. What makes you say so?
3. What do you report?
4. Do you have a target audience?
 - a. Who are they?
5. Why them and not others?
6. What do you want to bring across to them/ what do you want to tell them?
 - a. Why is/are it/they emphasised?
7. Who takes on the flagship (person/department) of reporting them?
 - a. How many staffs are involved in monitoring the report?
 - b. How large is the department?
8. How much is allocated (in RM/ %) from the total budget annually for reporting?
9. What are the main functions of the department?
10. Who carries out the communication effort (press releases, events, or/and reporting) of your company?
11. Do you see your company creating a PR department in the future?
 - a. Why?
12. How much is allocated (in RM/%) from the total budget annually for corporate communication efforts?
13. What does corporate social reporting mean to you?
14. Do you think social reporting effort is important?
 - a. What makes you say so?

15. How receptive is your corporation if you make suggestions on social reporting?
16. Does your organisation receive any pressures to report any social issues at all (legislative requirements, pressure groups [NGOs], oligopoly competition, importing countries' requirements)?
17. If yes, what do you think will happen if you do not comply with these pressures?
18. Do you see it as a competitive advantage to be reporting on social performance?
 - a. Why do you think so?
19. Are you satisfied with the current reporting effort?
 - a. Why are you/not satisfied?
20. What has been carried out to improve the current reporting practice?
21. Does your company have any dealings internationally?
22. If yes, does your company experience any social reporting requirement?
23. Are there any efforts (sending officers to attend social reporting seminars like GRI, learn from others what social reporting efforts they have carried out, RM allocation for social reporting, instruction/orders, etc) carried out to promote social reporting in your organisation?
 - a. What are those efforts?
 - b. Why not?
24. What could have been done to promote the acceptance of social reporting?
25. Do you foresee any problems carrying out this effort?
 - a. What is the biggest problem?
26. Has any effort been carried out to overcome the problem?
 - a. What has been carried out?
27. What would you suggest to overcome the problem?
28. Do see your company engaged in social reporting effort in the future?
 - a. What makes you say so?
29. Do you see a demand for social reporting from your company?

MULTINATIONAL REPORTING COMPANIES

Does your company engage in any corporate social reporting activities/ does your company possess a corporate social reporting policy?

→ **YES**

1. Where are they published?
2. Among all that you have mentioned, which one do you/your company most emphasised?
3. Why is this particular media emphasised?
4. Do you have a target audience?
 - a. Who are they?
 - b. Why they and not others?
5. What social aspect of reporting is emphasised?
6. What do you want to bring across to them/what do you want to tell them?
7. Why is it/are they emphasised?
8. Who takes on the flagship of reporting them?
9. How many staffs are involved in monitoring the report?
10. How large is the department?
11. How much is allocated (in RM/%) from the total budget annually for reporting of social issues?
12. Do you think that the social reporting effort is important?
13. Why do you think it is important?
14. How does reporting of social activities affect your organisation?
15. Is your HQ engaged in social reporting?
16. If yes, do you know why are they doing it?
17. Is the social reporting effort the same across nations/with those of the HQ?

18. If no, why do you think they are different?
19. Is it the directive from home nation headquarters (HQ) to report?
20. Does reporting of social performance expose your organisation to scrutiny?
21. If so, why do you still report besides the negative feedback?
22. Is the top management supportive of this initiative?
23. Do you agree with me that social reporting in Malaysia is still at a very low level?
24. If yes, why do you think the level is still low?
25. Is your HQ aware that corporate social reporting level is still very low in Malaysia?
26. If yes, why do you think your HQ insists you report?
27. Why do you think your top management is supportive of this initiative?
28. How committed is your top management to this effort?
29. How receptive is your management towards suggestions made on social reporting?
30. Does your organisation report social issues voluntarily or is it because of external pressures?
31. What do you think will happen if you do not comply with these pressures?
32. What do you think will happen if your organisation does not engage in social reporting?
33. Do you see it as a competitive advantage to be reporting on social performance?
 - a. Why do you think so?
34. Do you see any flaws/weaknesses in the current social reporting effort?
 - a. Like what?
35. What has been carried out to improve the current reporting effort?
36. Does your company have any dealings internationally?
37. Does your company experience any social reporting requirement?

38. Like what kind of requirements?
39. Are there any efforts carried out to promote social reporting in your organisation?
 - a. Like what?
40. What could have done to promote the acceptance of reporting further?
41. Do you face any problems carrying out this effort?
42. What is the biggest problem?
43. What would you suggest to overcome the problem?
44. Has any effort been carried out to overcome the problem?
 - a. Like what?
 - b. Why not?
45. Do see your company continuing this effort in the future?
46. What makes you so confident?
47. What makes you say so?
48. Is there a demand for social reporting?
49. If no, why are you still reporting?

MULTINATIONAL NON-REPORTING COMPANIES

Does your company engage in any corporate social reporting activities/ does your company possess a corporate social reporting policy?

→ **NO**

1. Who would you consider as your stakeholders?
2. Do you consider the stockholders, government, public, employee, customers and children your stakeholders?
 - a. What makes you say so?
3. What do you report?
4. Do you have a target audience?
5. Who are they?
 - a. Why they and not others?
6. What do you want to bring across to them/ what do you want to tell them?
 - a. Why is it/are they emphasised?
7. Who takes on the flagship (person/department) of reporting them?
8. How many staffs are involved in monitoring the report?
9. How large is the department?
10. How much is allocated (in RM/ %) from the total budget annually for reporting?
11. Do you have a corporate communication/ public relations /public affairs department?
12. Who carries out the communication effort (press releases, events, or/and reporting) of your company?
13. Do you see your company creating a PR department in the future?
 - a. Why?
14. How much is allocated (in RM/%) from the total budget annually for corporate communication efforts?
15. What does corporate social reporting mean to you?

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16. Do you think social reporting effort is important?
 - a. What makes you say so?
 17. Is your HQ involved in corporate social reporting?
 - a. If Yes/No, why?
 18. Does your HQ require you to also involve in corporate social reporting?
 - a. If Yes/No, why?
 19. How receptive is your corporation if you make suggestions on social reporting?
 20. Does your organisation receive any pressures to report any social issues at all (legislative requirements, pressure groups [NGOs], oligopoly competition, importing countries' requirements)?
 21. If yes, what do you think will happen if you do not comply with these pressures?
 22. Do you see it as a competitive advantage to be reporting on social performance?
 - a. Why do you think so?
 23. Are you satisfied with the current reporting effort?
 - a. Why are you/not satisfied?
 24. What has been carried out to improve the current reporting practice?
 25. Does your company have any dealings internationally?
 26. If yes, does your company experience any social reporting requirement?
 27. Are there any efforts (sending officers to attend social reporting seminars like GRI, learn from others what social reporting efforts they have carried out, RM allocation for social reporting, instruction/orders, etc) carried out to promote social reporting in your organisation?
 28. What are those efforts?
 - a. Why not?
 29. What could have been done to promote the acceptance of social reporting?
 30. Do you foresee any problems carrying out this effort?
 31. What is the biggest problem?
 32. Has any effort been carried out to overcome the problem?
 33. What has been carried out?
 34. What would you suggest to overcome the problem?

35. Do see your company engaged in social reporting effort in the future?
 - a. What makes you say so?
36. What do you see as the biggest problem in convincing your management of corporate social reporting?
37. Do you see a demand for social reporting from your company?

GOVERNMENT AGENCIES

1. Many nations are engaging sustainable development and triple bottom line as part of their business practices; therefore, participating in corporate social reporting, do you see Malaysia participating actively as well?
 - a. What makes you think so?
2. In general, do you think companies, both national and multi-national in Malaysia, are practising corporate social reporting?
3. Who do you think is reporting more?
4. Do you think they are doing enough?
 - a. What makes you think so?
5. Why do you think the nationals/ MNCs are reporting more?
6. What do you think is impeding the social reporting effort in Malaysia?
7. Do you consider social information an important source of information for companies to report?
 - a. Why is it so?
8. Does the government monitor social reporting efforts?
9. Why should the government monitor such effort?
10. Who monitors?
11. When social reporting is not required by any regulatory bodies/regulations, why do you think companies are reporting?
12. Do you think regulatory measures (either by regulatory bodies, standard setters or government) should be taken to encourage social reporting?
 - a. Why?
13. What do you consider is the role of the government in encouraging corporate social reporting?
14. What has the regulators/government carried out to encourage social reporting?
15. How successful are they?
16. Would you suggest anything more to improve on the current initiative?

17. What do you think would motivate them to embark/ report more?
 - a. What makes you suggest that?
18. I understand that the government is an advocator of many initiatives like corporate governance, Agenda 21, etc. Do you see a relationship between all these initiatives and corporate social reporting?
19. Does the Malaysian government face pressure to comply with global initiatives (for example Global Reporting Initiative [GRI]) to engage in corporate social reporting?
20. What has been done to respond to that?
21. So much have been said about reporting, is there actually a demand for it? Are the people (stakeholders) actually asking for these reports?
 - a. Why do you think it is so?
22. Do you think Malaysians (The Government, NGOs, regulatory bodies, or corporations) are taking active respond to that or just wait-and-see?
 - a. Why do you think so?
23. Who do you think should be designated to monitor the development of corporate social reporting in Malaysia?
 - a. Why do you say so?
24. What do you think they should carry out to encourage social reporting?
25. So much has been done to promote the concept of sustainability management, triple bottom line, why do you think it the acceptance level is still low?
26. What do you think should be done to promote these concepts?
27. Where do you see Malaysia in terms of social reporting in 5 years time?
 - a. What makes you think so?
28. Do you see new legislative drawn up to govern social reporting in future?
 - a. What makes you think so?
29. Social reporting is still relatively new in Southeast Asia, do you see Malaysia as the leading nation of this idea?
 - a. What makes you say so?

REGULATORY BODIES

1. Many companies abroad are engaging sustainable development and triple bottom line as their business practice; therefore, participating in corporate social reporting. Do you see companies in Malaysia participating actively as well?
 - a. What makes you think so?
2. What do you consider the level of corporate social reporting in Malaysia?
3. Do you think they are doing enough?
 - a. What makes you think so?
4. Do you consider social information an important source of information for companies to report?
 - a. Why is it so?
5. Do you monitor social reporting efforts?
6. Why should you monitor such effort requirement?
7. In general, do you think companies, both national and multi-national, are involved in corporate social reporting?
8. Who do you think is reporting more?
9. Why do you think the nationals/MNCs are reporting more?
10. What do you think is impeding the social reporting effort in Malaysia?
11. I understand as a regulatory body, apart from the financial reporting requirement of these companies, are there any provision for non-financial information?
12. Where is it stipulated?
13. If it is not required by you and other regulatory bodies, why do you think they are reporting?
14. Do you think regulatory measures should be taken to encourage social reporting?
 - a. Why?
15. What do you reckon is the role of the regulatory bodies like yours in encouraging corporate social reporting?
16. What have you carried out as a regulator to encourage social reporting?
 - a. How successful are they?

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17. Would you suggest anything more to improve on the current initiative?
 18. What do you think would motivate them to embark/report more?
 - a. What makes you suggest that?
 19. I understand that you are an advocator of corporate governance, do you see a relationship between corporate governance and corporate social reporting?
 20. Are there any written statements that a company needs to present social performance to you?
 21. Are there any requirements for companies to present social information to the public?
 22. How do you know if they are obliging?
 23. Does you face pressure to comply with global initiatives (for example Global Reporting Initiative [GRI]) to engage in corporate social reporting?
 24. What has been done to respond to that?
 25. So much have been said about reporting, is there actually a demand for it? Are the people (stakeholders) actually asking for these reports?
 - a. Why do you think it is so?
 26. Who do you think should be designated to monitor the development of corporate social reporting in Malaysia?
 - a. Why do you say so?
 27. What do you think they should carry out to encourage social reporting?
 28. So much has been done to promote the concept of sustainability management, triple bottom line, why do you think the acceptance level is still low?
 29. What do you think should be done to promote these concepts?
 30. Where do you see Malaysia in terms of social reporting in 5 years time?
 - a. What makes you think so?
 31. Do you see new legislative drawn up to govern social reporting in future?
 - a. What makes you think so?
 32. Social reporting is still relatively new in Southeast Asia, do you see Malaysia as the leading nation of this idea?
 - a. What makes you say so?

PROFESSIONAL BODIES

1. Many companies abroad are engaging sustainable development and triple bottom line as part of their business practices; therefore, participating in corporate social reporting. Do you see companies in Malaysia participating actively as well?
 - a. What makes you say so?
2. In general, do you think companies, both national and multi-national in Malaysia, are involved in corporate social reporting?
3. Who do you think is reporting more?
 - a. Why do you think the nationals/MNCs are reporting more?
4. Do you think they are doing enough?
 - a. What makes you say so?
5. If Malaysian/MNC companies are reporting less, what do you think is impeding the social reporting effort?
6. Do you consider social information an important source of information for companies to report?
 - a. Why is it so?
7. Do professional bodies like yours monitor social reporting efforts?
8. Why should/don't professional bodies monitor such effort?
 - a. If yes, who monitors?
 - b. What do you look at?
9. When social reporting is not required by regulations/ standard setters, why do you think they are reporting?
10. Do you think regulatory measures (either by, standard setters or regulators) should be taken to encourage social reporting?
 - a. If yes/no, why?
11. What do you consider is the role of the professional bodies like yours in encouraging corporate social reporting?
12. What has the professional bodies carried out as a professional bodies to encourage social reporting?
 - a. How successful are they?
13. Would you suggest anything/more to improve on the current initiative?

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14. What do you think would motivate corporations to embark/ report more?
 - a. What makes you suggest that?
 15. I understand that the professional bodies is an advocator of many initiatives like corporate governance, Agenda 21, AA1000, etc, do you see a relationship between all these initiatives and corporate social reporting?
 16. Does the professional bodies face pressure to comply with global initiatives (for example Global Reporting Initiative [GRI]) to engage in corporate social reporting?
 - a. What has been done to respond to that?
 17. So much have been said about reporting, are there actually a demand for it? Are the people (stakeholders) actually asking for these reports?
 18. Do you think Malaysians (Gov., NGOs, professional bodies, standard setters, regulators and corp.) are taking active respond to that or just wait-and-see?
 19. Who do you think should be designated to monitor the development of corporate social reporting in Malaysia?
 - a. Why do you say so?
 20. What do you think they should carry out to encourage social reporting?
 21. So much has been done to promote the concept of sustainability management, triple bottom line, why do you think the acceptance level is still low?
 22. What do you think should be done to promote these concepts?
 23. Where do you see Malaysia in terms of social reporting in 5 years time?
 - a. What makes you think so?
 24. Do you see new legislative drawn up to govern social reporting in future?
 - a. What makes you think so?
 25. Social reporting is still relatively new in Southeast Asia, do you see Malaysia as the leading nation of this idea?
 - a. What makes you say so?

NON-GOVERNMENT ORGANISATIONS

1. What do you think of the level of corporate social reporting in Malaysia?
2. If we would compare with internationally, where do you think Malaysia stands?
3. How about comparing with other Asian countries?
4. How about comparing with other Southeast Asian countries?
5. In general, do you think companies, both nationals and multi-nationals, are involved in corporate social reporting?
 - a. Why do you think they are?
6. Do you think they are doing enough?
 - a. What makes you think so?
7. Do you think it is important for companies to engage in corporate social reporting?
 - a. Why do you think so?
8. What would you like to see them reporting more (theme)?
9. Do you think the nationals or multi nationals are doing it more in Malaysia?
 - a. What makes you say that?
10. Why do you think the locals/ MNCs are lacking behind the locals/MNCs?
11. Do you see companies reporting social report open themselves to scrutiny?
12. Then, why do you think they should report?
13. If so, why do you think they are not reporting as extensive?
14. What do you think would motivate them to embark/ report more?
15. Are they being implemented?
16. How successful do you think they are?
17. Why aren't they implemented?
18. Are NGOs like yours motivating corporations to report?
 - a. Like what?
 - b. Why not?

19. Who do you think should be responsible in carrying the effort to motivate?
 - a. Why?
20. What do you think is the role of the _____ in corporate social reporting?
21. Do you think the government should advocate this effort?
 - a. Why?
22. Do you think the Malaysian government is doing enough to promote corporate social reporting?
 - a. What makes you say so?
23. What do you think is the role of the government in corporate social reporting?
24. What do you aspire the government to do in this social reporting effort?
25. What do you think is the role of NGOs in encouraging corporate social reporting?
26. Is there any movement or initiative in the part of NGOs to encourage corporate social reporting?
 - a. What are they?
27. You think the NGOs should play a more active role in encouraging this effort?
 - a. If yes, like what?
 - b. If no, why?
28. Do you think by these initiatives, it will encourage the practice among companies?
 - a. If yes, how?
 - b. If no, what do you think will encourage them to embark more on social reporting?
29. So much has been done to promote the concept of sustainability management, triple bottom line, why do you think it the acceptance level is still low?
30. So much have been said about reporting, are there actually a demand for it? Are the people (stakeholders) actually asking for these reports?
 - a. Why do you think it is so?
31. Which group of stakeholders do you think are most demanding?
32. Do you think these demands have got an impact on the companies?
 - a. What do you think are they?

33. Do you think an organisation, being large, would legitimise (seemed right of) their actions?
 - a. Why do you think so?
34. Do you think an organisation, having well-known figureheads, would legitimise (seemed right of) their actions?
35. Do you see an increase trend of corporations in Malaysia accepting social reporting in the future?
 - a. What makes you think so?
 - b. What makes you say so?
36. Do you see Southeast Asia countries to be active in social reporting?
 - a. What makes you say so?

**WAIKATO MANAGEMENT SCHOOL
APPLICATION FOR ETHICAL APPROVAL**

Outline of the Research Project

(for the benefit of the Waikato Management School Ethics Committee)

*Not more than **two** pages
Use clear and simple language
Technical terms should be avoided wherever possible*

1. Title of Project:

Motivations for Corporate Social Reporting and Non-Reporting in Malaysia: An Exploratory Study from a Public Relations Perspective

2. Researcher's name and contact information: TEE, Keng Kok

kkt2@waikato.ac.nz

3. Supervisor's name and contact information: Prof Juliet Roper

jroper@waikato.ac.nz

4. Brief Outline of the Project what is it about and what is being investigated :

The project investigates corporate social reporting in Malaysia. It seeks to explain the multi-dimensional involvement and role played by the corporate sectors, government, and non-government organisations in social reporting.

5. Methodology:

Interpretive qualitative analysis mainly thematic analysis will be utilised in this project to analyse transcribed interview data. Thematic analysis will also be used to analyse data available in printed and electronic media.

6. Expected Outcomes of the Research:

It is hoped that this project will contribute to knowledge and enhance understanding of corporate social reporting practices in Malaysia. This research is intended to reveal motivation for corporate social reporting practice, the role of the government as well as the expectations and role played by non-government organisations.

7. How will the participants be selected and how many will be involved?

The participants will be selected from the three sectors involved directly in corporate social reporting: 15 from the corporate sector (ten of national and five of multi-national corporations), five government agencies and ten non-government organisations.

. How will the participants be contacted?

Participants will be contacted via e-mail, telephone and conventional mail.

. Explain incentives and or compulsion for participants to be involved in this study.

The outcome of the research will enhance the currently minimal understanding of Malaysian corporate social reporting practices.

1 . How will your processes allow participants to:

a a refuse to answer any particular question and withdraw from the study at any time

Participants may refuse to answer any questions and/or withdraw from the study at any time.

b b ask any further questions about the study which occur during participation

Participants will be encouraged to ask any questions that they might have to further understand the purpose and process of the research.

c c be given access to a summary of the findings from the study when it is concluded

If requested, participants will be given a summary of the findings. A copy of the thesis will be held in the University of Waikato library.

11. Explain how any publications and or reports will have the consent of participants and how the anonymity of participants will be protected.

Before the interview, consent of participation from the participants will be obtained via the 'Consent Form for Participation' accompanied by a cover letter. Participants will be given the opportunity to ask for anonymity and, if requested, that anonymity will be maintained in the publication of the thesis and further published article.

12. What will happen to the information collected from participants?

The tapes and transcripts of the interviews will be archived for five years after completion of the research, in accordance with university regulations.

**WAIKATO MANAGEMENT SCHOOL
INFORMATION SHEET**

Outline of the Research Project

(for the benefit of the Waikato Management School Ethics Committee)

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**THE UNIVERSITY OF WAIKATO
WAIKATO MANAGEMENT SCHOOL**

**Motivations for Corporate Social Reporting and Non-Reporting in Malaysia:
An Exploratory Study from a Public Relations Perspective**

Consent Form for Participants

I have read the Outline of Research Project form for this study and have had details of the study explained to me. My questions about the study have been answered to my satisfaction, and I understand that I may ask further questions at any time.

I also understand that I am free to withdraw from the study at any time, or to decline to answer any particular questions in the study. I agree to provide information to the researchers under the conditions of confidentiality set out on the Information Sheet.

I agree to participate in this study under the conditions set out in the Outline Research Project form,

Signed: _____

Name: _____

Date: _____

Researcher's Name and contact information:

Name: _____

Contact information: _____

Supervisor's Name and contact information:

Name: _____

Contact information: _____