

## Corporate Social Reporting in Malaysia: A Qualitative Approach

KENG KOK TEE<sup>a\*</sup>, JULIET ROPER<sup>b</sup> AND KATE KEARINS<sup>c</sup>

*<sup>a</sup>Department of Management and Marketing, Faculty of Economics and  
Management, Universiti Putra Malaysia*

*<sup>b</sup>University of Waikato*

*<sup>c</sup>University of Auckland*

### ABSTRACT

This paper examines corporate social reporting in Malaysia from the public relations perspective of issues management. Data was derived from case studies of four relatively high impact companies in Malaysia, two owned by multinationals and two Malaysian-owned. An obvious continuum of corporate social reporting practice is apparent with one multinational adopting comprehensive corporate social reporting, the other minimal social reporting within Malaysia (though the parent company reports elsewhere), one Malaysian company engaging in selective disclosure, and the other expressing reservations about this so-called 'new business' concept of corporate social responsibility and reporting. Although company representatives interviewed were aware of trends toward increased disclosure, most reflected a desire to shun corporate social responsibility and reporting, in this case, of moral obligations. Our analysis affirms the possibility of the urge to push aside social reporting obligations re-emerging recently as a key aspect of corporate legitimation in Malaysia, as is occurring elsewhere.

### Keywords:

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\*Corresponding author. Tel: 03 8946 7639. Email: tee@econ.upm.edu.my  
Any remaining errors or omissions rest solely with the author(s) of this paper.

## INTRODUCTION

In recent years there has been increasing demand from multiple sectors of society for corporations to be responsive to the diverse needs of their stakeholders. Thus the demand, internationally, for companies to be socially and environmentally responsible in the achievement of their economic objectives has grown to the point where companies are often making deliberate choices about whether or not to report to the public, and how to deal with issues of corporate legitimacy. While legitimation is bestowed differently in individual countries according to current social norms and expectations, an increasingly global society can exert wide-reaching pressures for change. How this plays out in individual countries and in the case of individual companies calls for in-depth analysis.

This paper examines business attitudes toward corporate social reporting in Malaysia from a public relations' issue management perspective. We look at four companies' reporting practices and the attitudes of senior executives toward corporate social responsibility and reporting – in the context of a regulatory and professional regime which appears to encourage reporting, and an international context of increased reporting. The companies have been deliberately chosen from relatively high impact industry sectors given their increased likelihood, based on data from other international contexts, to report (Adams, Hill, & Roberts, 1998; Deegan & Gordon, 1996; Halme & Huse, 1997) and to engage in issues management – either with a view to forestalling further legislative developments around reporting or alleviating actual or potential tensions around the social and environmental impacts of either their products or their processes. In fact, we find that not all four companies are proactive in either reporting or issues management – or overly concerned with legitimation. We explore why this might be so in the Malaysian context and to what effect.

The paper is organized as follows. First we provide a brief background on corporate social reporting, and make a case for applying the public relations perspective of issues management in the analysis of interview data from four companies – two local and two multinational companies with significant operations in Malaysia. Next, we describe the Malaysian reporting context and the reporting stance of the four corporations. We provide thematic analysis of the interview data and tentative conclusions about the attempts by companies to harmonize the internal

corporate world with the external world of environment and stakeholders. Where demands of stakeholders are high, corporate social reporting and issues management concerns are accepted by the companies. In other companies with similarly negative environmental conditions, where stakeholders are less demanding – and more distant, these companies believe that balance can be achieved without reporting more than what is mandated – indeed reporting more is seen as potentially disrupting the balance. We wonder whether these companies which adopt a stance of pushing away moral obligations might be leaving themselves open to ultimately far greater imbalances in issues of corporate image and identity if and when they are forced to face social reporting obligations and reveal what they are currently avoiding.

## CORPORATE SOCIAL REPORTING

Corporate social reporting, “the process of communicating the social and environmental effects of organizations’ economic actions to particular interest groups within society and to society at large” (Gray, Owen, & Moulders, 1988), has been traced back to 1880s practices of social disclosure by organisations (Guthrie & Parker, 1990; Neu, Warsame, & Pedwell, 1998) – and more recently to the peoples’ movements of the 1960s and 1970s which spawned corresponding interest, on the part of researchers, in corporate social reporting.

Many attempts have been made to explain the motivations behind corporate social reporting behaviour through organisational legitimacy theory and stakeholder theory (Adams et al., 1998; Gray, Kouhy, & Lavers, 1995; Guthrie & Parker, 1990; Hooghiemstra, 2000; Neu et al., 1998; Patten, 1991; Patten, 1992). Accounting perspectives have had the tendency to dominate corporate social reporting literature (e.g. Adams et al., 1998; Andrew, Gul, Guthrie, & Teoh, 1989; Foo & Tan, 1988; Gray et al., 1995; Guthrie & Parker, 1990; Hackston & Milne, 1996; Hossain, Tan, & Adam, 1994; Low, Koh, & Yeo, 1985; Patten, 1991; Purushothaman, Tower, Hancock, & Taplin, 2000; Tan, Kidam, & Cheong, 1990; Teoh & Thong, 1984; Tsang, 1998; Walden & Schwartz, 1997; Zeghal & Ahmed, 1990). While the quantification of disclosure and theme determination of corporate social reporting may contribute to the understanding of corporate social reporting in terms of general reporting trends and practices, communication and organisational perspectives can provide other insights into understanding the pressures underlying

corporate social reporting practices – or more importantly, the lack thereof. To date no attempts 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 specific national influences (C. A. Adams et al., 1998; Andrew et al., 1989; Guthrie & Parker, 1990; Roberts, 1991; Teoh & Thong, 1984; Williams & Ho, 1999). As a result, this paper aims to provide fresh insights based on contextual analysis and interviews with senior executives from four companies with significant industrial operations, and social and environmental effects thereof, in Malaysia.

## **PUBLIC RELATIONS AND ISSUES MANAGEMENT**

Issues management comes under the rubric of public relations – and within issues management, corporate social reporting could be considered an appropriate, but by no means the only, technique for managing organisational concerns of legitimacy. Issues management, as public relations researchers define it, involves organisations identifying, monitoring, analysing and managing relevant issues that have direct or potential effects on organisational operations, particularly those which may mature into public policies (Daugherty, 2001; Heath, 1997; Seeger, Sellnow, & Ulmer, 2001). Issues emanate from the turbulent struggle between public and private interests (Heath, 1997). Most public policies, legislative and regulatory requirements are implemented to bring about industrial standardisation and the reduction of 'bad', unsafe or unfair practices – with broader societal interests in mind. The role of the issues management function is to either prevent an issue becoming a public policy that impedes the organisations' undertakings - or to participate in the formulation of policy. The goal in issues management is not so much to fend off public policy, legislation or regulatory requirements but to strike a balance between the interests of community and that of industry in imposing its own operating standards (Heath, 1997).

According to Pratt (2001), issues management seeks not merely to influence public perception but to also amend organisations' operations so that they meet public expectations (see also Lesly, 1998). He suggests that the issues management process should be a public-driven exercise that is responsive to public interest.

Therefore, two-way symmetrical engagement (Grunig & White, 1992; Grunig & Hunt, 1984) is conducted with the organisations' relevant stakeholders in dialogic communication which requires participants to engage with each other to better comprehend stakeholders' expectations and lessen conflict between the two (Pratt, 2001). Issues management is aimed at continually narrowing the gap between the emerging public and organisational goals (Lesly, 1998).

Issues management is the proactive stance of an organisation in preventing crisis as it "acts to diffuse some crises before they erupt" (Seeger et al., 2001, p.156). According to Heath (1997), issues management is the link between public relations and the organisation's management. He believes that predicting and managing the issues function fits in well with the organisation's strategic planning and decision making which all aim to help the organisation achieve its goals while eliminating threats (see also Cropp & Pincus, 2001; Grunig & Repper, 1992; Pratt, 2001). According to Grunig and Pepper (1992) and L'Etang (1996), issues management is strategic. It is encapsulated as the organisation's proactive approach to managing issues, sharpening its strategic plans, improvising its operations and communicating it in such a way as to foster harmony with its relevant public (Daugherty, 2001; Heath, 1997).

One method of fostering harmonious relationships with stakeholders is through voluntary reporting. Research on voluntary reporting suggests that organisations generally report 'favourable' news and withhold 'undesirable' news (Bewley & Li, 2000). Managers manage issues by suppressing and disclosing certain information under certain conditions. According to Bewley and Li (2000), companies tend to disclose more voluntarily when there is more news media coverage about their environmental exposure. Companies also tend to disclose more when environmental problems are exposed to the public in order to differentiate themselves from the worst polluters. They would generally voluntarily disclose more information when they belong to a more polluting industry to counter the stereotype of the worst polluter in the industry or when they are under constant scrutiny by environmental stakeholders. According to Cerin (2002), corporations' do not face as much environmental pressure from industrial consumers relative to end consumers. Firms' reputations and public image – and hence their legitimacy – are at stake here.

A further goal of issues management is to create a sense of differentiation, association, identity and goodwill in the competitive marketplace (Heath, 1997), or in other words a strong corporate identity, manifested by various symbols, corporate communications and behaviour (Kitchen, 1997; V. Riel, 1995). Organisations manage their corporate identity mix to establish a favourable reputation with their stakeholders with the aim of garnering support for product/service purchases, for employment and investment purposes (see Balmer, 1995; V. Riel & Balmer, 1997; V. Riel, 1995). In this sense, if managed properly, corporate identity could flourish as a potential asset of the organisation (Meech, 1996). As a strong corporate identity cannot be measured in financial terms, corporations find it hard to substantiate this 'invisible' asset (Meech, 1996); and therefore, its credibility is often questioned.

Corporate image is a slightly different concept – it refers to how an organisation is perceived in the eyes of the public (Ind, 1995; Kitchen, 1997). It is the outward impression of the public towards an organisation i.e. “what the organisation looks like from the outside”(Stone, 1995, p.66). Corporate image is formed by aggregate experiences and messages received by the public. Thus, they are a set of meanings by which the organisation is known, which people describe, remember and relate to; in other words, the 'mental image' of the organization, its products and services (Kitchen, 1997). Most of these images are unplanned (Stone, 1995). Images of a corporation are formed all the time as a corporation continuously communicates either deliberately by, for example, advertisements, press releases, events and such, or unintentionally through customer service, training and leadership - i.e. “everything it says and does” (Ind, 1995, p.234). Hence, it is not what the organisation is trying to portray but the reception of the message that is central to the concept of corporate image.

The size of the gap between an organisation's projected identity and the perceptions held by stakeholders of that organisation (its image) is a measure of the organisation's legitimacy. Thus, ideally, from the corporation's point of view, corporate image would be congruent with the desired corporate identity. Realising the need to develop a 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 on issues of concern, and better

than its competitors in this respect, can establish a strong favourable corporate image and identity.

### **RELATING ISSUES MANAGEMENT TO CORPORATE SOCIAL REPORTING**

Although various perspectives have been adopted to study motivations for corporate social reporting, research does indicate that more and more companies now recognise that the provision of social information helps them improve their public image (Zeghal & Ahmed, 1990). Gray, et al. (1988) acknowledge that one of the main purposes of corporate social reporting is to enhance corporate image (see also ACCA, 2004b; Zeghal & Ahmed, 1990). In developing this public relations understanding of corporate social reporting, Hooghiemstra (2000) discusses the concepts of corporate identity and corporate image as being central to corporate social reporting (see also ACCA, 2004a; Adams, 2002; Nik Ahmad & Sulaiman, 2004).

Adam (1998) claims that U.K. financial executives perceive the most important role of annual reports in social reporting as improving the image and reputation of the company. In addition to annual reports, advertisements on social performance are used to disclose short, uniform social information to a wide audience to create a favourable image (Zeghal & Ahmed, 1990). Low, et al. (1985) maintained that social reporting helps companies develop good reputations and hence, accrue social and economic advantages as they may attract the best employees as well as nurture employee loyalty. Reporting may also forestall more stringent regulations forcing specific disclosures – which firms may not see as in their interests. With many apparently strong reasons advanced for reporting, not least those which might attract the attention of firms' public relations and issues managers, it becomes especially interesting to explore why companies themselves might be resisting even stronger engagement in reporting activities. We turn now to the Malaysian context, as a backdrop for the explication of our data.

## **CONTEXT FOR CORPORATE SOCIAL REPORTING IN MALAYSIA**

In the early 1980s, corporate social reporting in Malaysia was almost non-existent (Teoh and Thong, 1981). By the latter part of that decade however, the practice of reporting social issues by companies was slowly making its presence felt, although primarily through foreign-owned corporations (Andrew et al., 1989; Foo and Tan, 1988; Teoh and Thong, 1984). More recently, a number of local corporations have also begun practicing social reporting. Studies in the early and mid 1990s confirmed that most companies based in Malaysia were reluctant to disclose more than what is mandated (Tan et al. 1990; Hossain et al., 1994). A more recent survey by ACCA (2004a; 2004b) did demonstrate an increasing trend of social reporting by KLSE main board listed companies (from 28 to 49 companies in 2002 to 2003), though the practice is not extensive by any means, with probably less than 10% of total listed companies reporting.

There is no specific statutory requirement for public listed companies in Malaysia to disclose social information to the public although a number of initiatives encourage corporations to report. For example, in 1990, the KLSE, the Malaysian Institute of Accountants (MIA), the Malaysian Institute of Management (MIM) and the Malaysian Institute of Certified Public Accountants (MICPA) launched the National Annual Corporate Report Awards (NACRA) to promote and enhance presentation and reporting of financial and other information. In the same year, the KLSE also initiated “The Kuala Lumpur Stock Exchange Corporate Awards”. This initiative was aimed at encouraging companies to demonstrate high standards of corporate governance, disclosure and transparency. Nevertheless, despite these more recent forms of encouragement, there is a general sense that corporations in Malaysia are reluctant to report. Our data, however, shows a range of different stances toward corporate social reporting – coupled with what might be described as a reluctance on the part of some executives interviewed to fully engage in reporting and issues management.

## **DESCRIPTION OF THE FOUR COMPANIES**

This research focuses on four companies, two incorporated in Malaysia (referred to as Local Companies LOCOs A & C) and two multinationals with

substantial operations in Malaysia (referred to as MNCs B & D). Within the description of each company below, their activities are categorised under Taylor's three levels of industrial harmfulness to the environment (see Taylor, Hutchinson, Pollack, & Tapper, 1994). Level 1 - the damaging, dirty or dangerous category – comprises industries that directly damage the environment, and/or handle dirty, damaging or dangerous materials. For firms in these industries, attendance to environmental issues through some sort of environmental management regime or system could be seen as a matter of survival. Level 2 - the wasteful and polluting category – subsumes industries that may damage the environment by discarding waste or through air or water pollution. Level 3 - the silent destroyers - includes industries such as services and government that damage the environment in a less direct and obvious sense, often in small ways but which are significant when aggregated.

Local Company A is a diversified company with operations in manufacturing, retailing and services. With a long history, it is currently one of the largest Malaysian companies with operations encompassing more than ten countries. About half of LOCO A's business activities could be categorised as damaging, dirty or dangerous to the environment. Its other activities are less directly damaging. The company engages only in selective disclosure.

Multinational B has had operations in Malaysia for a very long time. Distinctively a local market leader in its industry, it controls 70 percent of the total market share in Malaysia and qualifies as one of the top companies listed on the KLSE. All of its business activities fall under the damaging, dirty or dangerous category. Part of a multinational corporation which encompasses 180 countries and market leader in more than 50 of these, MNC B functions under a business management framework common to all its counterparts across the globe. MNC B engages in corporate social reporting in Malaysia, producing stand-alone corporate social reports.

Local Company C was incorporated in Malaysia some decades ago and is largely a manufacturer with operations that also fall under the damaging, dirty or dangerous category. It is the leading manufacturer and exporter in two industry segments in Malaysia. Its market covers Asia, the Middle East and UK. Currently LOCO C does not engage in social reporting.

Multinational D has had operations in Malaysia for several decades. Its activities are categorised under wasteful and polluting to the environment. MNC D operates under instruction from its headquarters. Its primary function is to feed its finished product to a subsidiary company of the parent company. Despite its headquarters' active social reporting regime, MNC D does not currently engage in any form of reporting to the public. Its reporting efforts are mainly for internal purposes.

Thus, two companies, LOCO A and MNC B, engage in corporate social reporting whereas LOCO C and MNC D show no evidence of social reporting to the public in Malaysia, beyond MNC D's parent company reports which are published elsewhere. The companies highlight an obvious continuum of corporate social reporting to the public which range from comprehensive reporting to minimal to no corporate social reporting to the public.

## METHOD

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 the "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).

The criterion for company selection was mainly corporate size. Large corporations are the target of this research because the larger the company, the wider the activities undertaken; hence, the greater the potential for social impact (Alnajjar, 2000; Hackston & Milne, 1996; Herremans, Akathaporn, & McInnes, 1993; Collins, Corner, Kearins, Lawrence, 2004; Trotman & Bradley, 1981). As a result, public listing was used as a proxy for size of company. Four companies were chosen based on the availability of managers for in-depth interviews.

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 public relations managers and two non-public relations managers were represented for the two reporting and two non-reporting corporations.

## THEMATIC ANALYSIS

Thematic analysis offers a tool to understand motivation and impediments to 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. 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). 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).

Organisations’ motivational and deterrent factors, and opinions on 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 this method, themes are derived according to three criteria. They are: (i) recurrence, (ii) repetition, and (iii) forcefulness (Owen, 1984). 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.

## DISCUSSIONS

### Issues management

From the interview data, only MNC B was revealed to actively recognise the importance of identifying and managing issues surrounding its organisation, although corporate social reporting efforts were important for both LOCO A and MNC B. MNC B demonstrated top management commitment to corporate social reporting reflected in top management representation on appropriate committees

and the appointment of a corporate social reporting manager. In order to formulate its corporate social report, MNC B conducted an issues management exercise to research public concerns locally – part of a global practice for the corporation. The exercise involved dialogue in a bid to understand issues perceived as salient by stakeholders (Grunig, 2001; Pratt, 2001). Its CSR manager explained: “We engage stakeholders constructively to understand their views on [product] issues and try to meet various reasonable expectations....We emphasise our [issue] and [issue]. We might emphasise something else. It is all dependent on the expectations of our stakeholders.” According to another manager B, “The social report is a public document. NGOs and the government evaluate what we are doing. They do a lot of feedback asking for clarification.” MNC B neither objects to nor capitulates to public policy. Manager B asserted that the company tries to understand trends and issues so it does not have to firefight or face a crisis (Moore, 1996; Seeger et al., 2001). MNC B has been actively encouraging more stakeholder engagement as the manager explained: “We would like to see more antis and pressure groups attending the dialogue sessions”. For this company, corporate social reporting functions as a means to meet stakeholders’ expectations and to address issues of public interest (Dierkes & Berthoin-Antal, 1985; Ullmann, 1985).

Still deliberating on the value of a strong image and identity, LOCO A is cautious in carrying out its social reporting activity. It engages in controlled volume and type of information to be reported. It doesn’t report on a particularly hazardous subsidiary’s operations for example. The manager admits:

The only company that we have 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 is very careful not to overdo social reporting as it does not aspire to be perceived by its debtors and subsidiary companies as being too extravagant in its corporate spending (especially in charitable events). The manager declared, “...we are restricted from being too visible as we’ve a lot of debtors out there who are chasing for their debts. We cannot afford to be seen to be too active in charity.” As such, corporate social reporting acts as a double-edged sword for LOCO A as practicing it earns support and at the same time opens it up to stakeholder scrutiny.

Both LOCO C and MNC D adopt a minimum disclosure to the public regime. Their primary reason for not reporting any social performance voluntarily to the public is the absence of demand for social information as social reporting is not a legislative requirement. Apart from that, these companies do not produce products for end consumers. Hence, these companies settle for reactive measures such as reporting only to audiences as required for compliance. Manager D claimed: “It is the basic requirement by law and we don’t know who else to send it to.” This notion is supported as MNC D allocates a substantive amount for managing the environment but not for reporting on it to the public. Despite a high degree of standardisation, MNC D does not engage in social reporting practices as the local charter does not require it to report on its social performance to the public. Manager D claimed: “Our headquarters basically acknowledges the local charter...if there is no local requirement, we don’t report.”

Both managers C and D acknowledge the power of command comes from the top. Manager C claimed:

*‘Honestly, a lot of the board members say minimum disclosure unless they are forced to do social environmental reporting required by regulations. Voluntarily, 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.’*

As there is no industrial consumer demand for social reports (i.e. no supply chain pressure), both companies do not see social reporting as an immediate issue (ACCA, 2004b). Therefore, both managers seem unwelcoming towards any suggestions for voluntary efforts towards social reporting.

Manager D explained, “Social reporting has not been suggested by [headquarters].” According to manager C, all company decisions are initiated from the top which is the board of directors. Manager D stated: “The top management makes all the decisions...audits our work processes every year.” Social reporting is not one of the decisions.

To instill social reporting practices, manager C insists that social reporting training should be made compulsory for all the directors. Any serious effort to promote social reporting should be targeted from the top. The manager claimed:

*“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 D’s belief seems to be in congruence with manager C’s. He believes that top management has to be convinced that environmental issues are serious issues in Malaysia. Both companies’ top management seems oblivious to social reporting issues although MNC D’s business philosophy clearly emphasises societal contributions.

The top management of company C supports the doctrine of minimum disclosure in handling its environmental issues despite being in a dirty, damaging or dangerous category and listed on the KLSE. Manager C stated, “We are a very low profile company; therefore, we don’t have much communication.” In managing its environmental issues, manager C 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. So, as far as social reporting is concerned, we are doing as little as possible...”*

LOCO C does not wish to create demand for social information from the public as it is fearful that reporting on the effects of its operations may tarnish its reputation and eventually disrupt its operations. Remaining ‘unnoticed’ safeguards its legitimacy. LOCO C devotes much of its attention to the expectations of shareholders.

The manager stressed: “Because they invest in you, they put their money in you, so you must keep a record of what you have done for them.” Apart from that, manager C claimed that there was no demand for social reporting from the public in general (ACCA, 2004b), but acknowledged that the company could not afford to remain secluded from social reporting efforts. She said “The Malaysian public is now more curious. Not like before. Now, they ask a lot of questions. It is because of more education and if one company discloses and the other doesn’t, the public will eventually spot it.” Manager C voiced this concern because of shareholders’

passionate participation in annual general meetings which was more apparent after disclosing information required by the stock exchange (Milne & Chan, 1999). The manager said, "They [shareholders] are more aware because of the disclosure that is currently being made through the annual report... By disclosure, the shareholders now know what to ask.." In this sense, manager C was predicting a forthcoming issue for the company.

### **Image and identity**

LOCO A engages in corporate social reporting efforts to establish a favourable identity and image (ACCA, 2004a; Adams, 2002; Gray, Owen, Moulders, 1988; Nik Ahmad & Sulaiman, 2004). To accomplish this goal, it focuses on media coverage, especially on the press, to exert its corporate identity, mainly via contributions to the community. Manager A claimed: "What we do is just submit our write-up and hope for it to be picked up for publication. The press usually likes social contributions. Apart from that, we also emphasise on press releases for wide coverage." The manager believes that it is through these activities that LOCO A will reap wide publicity at a minimal cost while acknowledging the greater credibility of press releases (Fijewski, 2003) vis-à-vis information available in its websites and newsletters. Manager A believes that engaging in social reporting yields competitive advantages if other companies are not seen to be reporting. This point is supported by Manager B and the experience of MNC B.

Both LOCO A and MNC B engage in social reporting to shape the public's perceptions (Zambon & Bello, 2005). Manager A recognises the benefit of an established positive perception and acknowledged the social report's ability to shape a desired identity:

*"It (social reporting) helps to shape perception of the public towards the corporation. It (image) will reap positive spin-off benefits. Image contributes to the bottom line. It is sort of an assurance to the public that we are doing the right things. People will have the perception that we are not just a profit generating company."*

The manager asserts: "If we do not share this (social) information, nobody knows what we are doing." Apart from that, the manager admits that a strong

image and identity would help them reposition the company especially after the 1997 Asian Financial Crisis: “Our on-going restructuring program is also an image repositioning effort to hopefully shape public perception of our company after the Asian financial crisis. We have our corporate social responsibility and reporting in the budget and that gets publicity.” Manager B also admitted that MNC B’s stakeholder engagement is crucial in maintaining the public’s perception of its responsible image locally: “We do so because we would like to demonstrate that we are a responsible company...It is important to let them (stakeholders) know what we are doing.”

LOCO A’s corporate citizenship is endorsed by its group chairman. Manager A claimed: “Our chairman emphasises contribution back to the community...he cannot stress enough that ‘business is not all about making money’”. Top management is very supportive of their social reporting activities as long as they are convinced that it “has an impact for the better”. LOCO A publishes internal newsletters every two months. MNC B also adheres to this principle. Manager B claimed: “Internally, we try to create awareness by giving briefings to our senior managers. We have about three sessions in a year. We also have our internal newsletters to go around the company.”

The potential benefits of possessing a favourable image and identity cannot however be measured in financial terms (Gorman, 1994). Corporations can find it hard to substantiate this ‘invisible’ asset (Meech, 1996). Image and identity contribution has been given short shrift. Manager A professed her support: “We have to prove that there is actually a link between corporate social reporting and the bottom line. Like a success story...it is difficult to link between corporate social reporting and the bottom line as it does not reap direct or immediate revenue”. Manager A bewailed: “There is not much effort and time to concentrate on social responsibility and reporting...times are bad at the moment.”

Acknowledging the advantages of issues management, MNC B continues to support dialogue sessions with its stakeholders. The corporate social reporting manager predicted an escalating budget for stakeholder engagements and continuous improvement of social reporting in the coming years. The manager admitted that meeting stakeholders’ expectations is challenging as stakeholder awareness levels, in terms of stakeholder engagement, is still low. Apart from that,

the scarcity of trained personnel and qualified verifiers in social reporting imposes even greater challenges in the field of corporate social reporting (Vu, 2004). Manager A shares the same believe, “There should be some sort of a social reporting audit or measurement...It helps corporate citizens to measure corporate social reporting programmes.”

Although not reporting its social performance to the public, MNC D nevertheless admits that corporate communication can enhance corporate image. As opposed to the benefits of image and identity, manager C voiced her apprehension about a social report’s contribution to the image and identity of organisations such as LOCO C. Manager C dismisses social reporting, seeing it as being used to cover up unethical deeds. She relates an example of a company in a hazardous industry: “Such companies are forced to do reporting to alleviate the bad effects of the business they are in. I have seen their reports and that sort of acts like a camouflage for the sins they have done with their [products]...”. In another instance, the manager again raised her uneasiness with social reporting, seeing it as “something you do if you are really guilty and want to do something to compensate.” Instead of elevating corporate reputation, according to manager C, reporting could have negative image ramifications.

LOCO C seems to fend off social reporting but at the same time acknowledges that it could be needed in the future. The manager recognises the need to establish a public relations department in a future that augurs the burgeoning of new disclosure to the public based regimes. The manager envisions, “In the past it [company operation] was hidden...then you have to disclose...” The manager admits that the only way for company C to engage in social reporting is through top management initiative. Apart from that, she acknowledges the power of society to create awareness among the management. Manager D also subscribes to this opinion as he senses increasing public demand for social information (Milne & Chan, 1999), “There is greater awareness among the public now especially pressure groups. There will be greater demand for transparency.”

## DISCUSSION AND CONCLUSIONS

We find in our data a variety of postures and attitudes towards corporate social reporting and issues management. The potential for corporate social reporting to

enhance corporate identity and image is recognised by reporting companies (ACCA, 2004a; Adams, 2002; Gray et al., 1988; Nik Ahmad & Sulaiman, 2004). However, companies with minimal or no reporting almost fear corporate social reporting – they resist it as they see potential for exposure and a potentially negative corporate image resulting. Interestingly the non-reporters in this small industrial sample are involved with core products – that is products sold to other manufacturers rather than directly to consumer markets. Being distant from end users, they have had little or no supply chain pressure.

Our analysis reveals that those companies that are taking a proactive issues management approach are dealing with issues (such as stakeholder perceptions) before they come back to haunt them (Heath, 1997; Pesqueux & Damak-Ayadi, 2005). There is a kind of attempt to balance or harmonize the internal corporate worlds of these reporting companies with the external worlds of stakeholders and the environment. Companies that are pushing aside the issues for now could ultimately be affected negatively, as pressure comes back up the industry supply chains or as plant neighbours or other public groups become aware of unfortunate social and environmental effects of their operations.

Juxtaposed to an organization, the human physical body, emotional and mental states are depicted as company reputation, management and employees. When an organisation responds proactively to public issues and manages its environment with sensitivity, it will tend to garner public support (Roper, 2005). On the other hand, if an organisation chooses not to respond to public issues or to push away responsibilities for the environment, these issues will in turn haunt the organisation. Hence, the organisation's choice of action will either create harmony or dissonance with the public.

Given the increasing number of countries responding to stakeholder pressure by introducing mandatory disclosure/reporting requirements for companies, and the increasing international connectedness of businesses, including access to international equity capital and investments, we ask - how long can companies in Malaysia continue to resist serious engagement in corporate social responsibility and reporting?

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