

Stakeholder Power towards Corporate Social and Environmental Responsibility Disclosure: Evidence from Malaysia

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ABSTRACT

The purpose of this study is to explore stakeholder power in corporate social and environmental responsibility (CSER) disclosure in Malaysia. We collected data through content analysis and semi-structured interviews. Content analysis was used to identify the disclosure level of CSER in the annual reports by listed companies in Malaysia. Then, semi-structured interviews were conducted to collect opinions from stakeholders to understand the CSER phenomenon, particularly the motivations of CSER in Malaysia. This study utilises the 'stakeholder theory' because this theory is based on the moral treatment of stakeholders and has been widely used by accounting researchers in CSER sustainability studies. The interviews provide evidence that stakeholders, particularly government and non-government organisations, show their concern on the importance of social and environmental disclosures. This concern may be one of the driving factors that influence companies to reveal a large amount of CSER information related to the society and environmental aspects. This finding indicates that present secondary stakeholders play a crucial part in compelling organisations to disclose CSER information.

Keywords: Corporate social and environmental responsibility; disclosure; stakeholders; stakeholder theory

INTRODUCTION

Disclosures on the social and environmental practices of companies from stakeholders' perspective are quite new for South East Asian companies. Most previous research on corporate social and environmental responsibility (CSER) has been conducted by examining companies' annual reports through content analysis methodology from the reporting companies' perspective or a managerial perspective (Anas et al. 2015; Deegan 2017). However, limited studies have explored stakeholders' perspective on CSER and whether CSER can potentially influence stakeholders in making decisions. At present, most companies are compelled by their shareholders and other stakeholders to increase their profit and provide assistance to solve the social and environmental problems of a country (Lee et al. 2016). Although CSER has recently become a growing area of strategic value creation, the emphasis on stakeholder engagement is still quite low.

Investigations on stakeholder power towards CSER provide insights into the justifications of disclosure level and quality of CSER (Delmas & Burbano 2011). Therefore, understanding the justifications on the release of information by companies regarding their social contribution and environmental activities is essential, which could have an impact on their stakeholders' concern (Cormier & Magnan 2003). A good understanding of stakeholder perceptions on the importance and usefulness of certain information can improve the practice of CSER in the South East Asian region. The impacts of public pressure on environmental disclosure directly influence political cost. Papa et al. (2009) argued that CSER is influenced by the pressure from stakeholders. Some stakeholders have

the power to influence managerial decisions in disclosing social and environmental information. They also have an ability to influence companies' practices in relation to social and environmental performances and disclosures.

Previous studies have emphasised that companies must fulfil their social responsibilities to meet stakeholders' expectations (Cormier & Magnan 2003). Furthermore, a 'social contract' exists between companies and stakeholders. This contract is needed by companies to ensure their survival and continued success by satisfying stakeholders' expectations, such as legislations in relation to pollution, employees' health and safety and animal protection. Companies should also take into consideration a wide range of issues, including the consequences of their economic activities on the environment and society without neglecting their corporate mission. For example, the public society may be concerned about the release of hazardous wastes on their surrounding area and the actions of companies to minimise the negative effects (Lee et al. 2016). Accordingly, all public listed companies are required to openly disclose their CSER practices in their company annual reports every financial year-end. This relevant information focuses on how companies perform their activities, which could have a negative impact on the society and the environment (MCCG 2012; 2017). However, specific details of items to be disclosed are still at the discretion of companies and revealing such information remains voluntary.

Deegan (2010) found that companies, which are motivated by 'enlightened self-interest' or have embraced a 'shareholder primacy' approach in their operations, may not be favourable in the long term. Hence, companies must

maintain a good relationship with all stakeholders to gain benefit for all. Companies may use the CSER strategy to reduce potential conflicts with their stakeholders through information exchange, which may consequently reduce transaction costs for monitoring. The CSER strategy has been used to manage all relationships with stakeholders (Hill & Jones 1992). However, a conflict may exist between stakeholders and managers as regards the information to be disclosed on CSER. Shareholders are also concerned on financial aspects, whereas other stakeholders prefer further information related to society and environmental issues (Montero et al. 2009). This difference may reduce companies' potential to make high profit due to the cost associated with managing the society's expectations and environmental issues.

Social and environmental information has become increasingly significant for stakeholders in their decision making. In addition, several studies have been conducted on CSER practices. However, studies on stakeholder perceptions towards CSER practices are limited (e.g. Deegan 2017). Hence, this study examines stakeholder perceptions of CSER and identifies whether stakeholders are interested in information from various sources to help them in making decisions. This study also aims to explore the views of stakeholders on CSER in Malaysia and recognises that stakeholders have several needs for information. Therefore, a multi-stakeholder view was adopted in evaluating stakeholder perceptions.

LITERATURE REVIEW

CSER disclosure has been widely used to refer to public reports from companies with the aim of providing internal and external stakeholders and visualising corporate position and activities on economic, environmental and social dimensions. Research on CSER disclosure has gained wide attention in developed countries, such as Europe and the United States. However, the level of CSER of public listed companies in Malaysia is still generally low (Anas et al. 2015; Saleh et al. 2010; Zainal et al., 2013). In Malaysia, CSER disclosure is a voluntary initiative mainly focused on the social and environmental aspects of companies presented in companies' annual reports to increase good governance, accountability and transparency.

Stakeholders are concerned with sustainability issues. The growing recognition of climate change and the impact that companies have on global warming have likely led to this increase in concern. A stakeholder power is related to the degree of control that a stakeholder has over the resources required by a company. Hedberg and Von Malmberg (2003) found that Swedish companies produce social and environmental information to satisfy powerful stakeholders in the form of their financiers. Orij (2010) stated that stakeholders influence CSER in countries where companies and their stakeholders have a close relationship. Companies are expected to disclose adequate environmental information to their stakeholders to ensure that their behaviours and actions are perceived to be legitimate.

Organisations depend on multiple interdependent relationships with their stakeholders, who are composed of customers, employees, suppliers, communities and investors. Engaging with their stakeholders through CSER disclosure allows them to ensure that their materiality assessment is robust and inclusive (Botshabelo et al. 2017; Yusoff et al. 2013). Stakeholder engagement may build social capital and risk reduction. Consistent engagement with stakeholders allows companies to design programmes that support the identification of appropriate standards and approaches to CSER management. It is also highly valuable during the evaluation of available options for CSER disclosure when some stakeholders who are extremely knowledgeable and could take part in the development of standards and policies are recognised.

To make well-informed decisions, stakeholders must access a reliable and relevant CSER. Doing so alleviates information asymmetry, which can improve the decision-making process. Freeman (2004) claimed that companies must consider stakeholders' perspectives and their activities because, in some cases, stakeholders may go against company directors. The stakeholder theory recognises that different groups of stakeholders have different views about how companies should be managed. Companies can also benefit when they seek to understand the views of multiple groups of stakeholders to respond accordingly to the needs of each stakeholder group.

CSER is affected directly and indirectly by stakeholders given the multiple kinds of interests and views on the way companies should operate. Smith (2002) argued that stakeholders may be interested in many aspects, such as sustainable profits, health and safety standards for workers, respect for human rights, consumers' interest protection and supporting laws regarding environmental standards. Deegan (2002)'s study suggests various factors that can motivate companies to perform CSER. Such factors include the desire to comply with legal requirements or trust in accountability to report. Furthermore, Haniffa and Cooke (2002) argued that companies' disclosure practices reflect the underlying financial factors that affect managers when deciding to make such disclosures. Thus, CSER spending can create a conflict between shareholders and managers and between managers (who may be acting on behalf of shareholders) and other stakeholders.

Although the investigation on corporate and social activities may add cost to companies, doing so can also help them build their reputation and achieve a high rating (Bamea & Rubin 2010). Moreover, stakeholders may support managers who conform to their concerns and thus reduce the cost of management turnover in the future (Cespa & Cestone 2007). However, the costs and benefits from additional disclosure should be fairly assessed. The explicit and implicit contractual relationships among various stakeholders determine the costs and benefits associated with additional disclosures (Cormier & Magnan 1999).

Furthermore, the extent of stakeholders' power should be assessed to determine their influence on companies.

Friedman and Miles (2006) categorised stakeholders into two groups. Primary stakeholders may include, but are not limited to, suppliers, employees, creditors (fund providers), investors and shareholders, whereas secondary stakeholders include media, governments, local communities, interest groups, non-government organisations (NGOs) and the public. Primary stakeholders have a direct economic influence on and/or interest in companies. By contrast, secondary stakeholders have less direct influence on and/or interest in companies, but they have significant expectations (Botshabelo et al. 2017).

IMPORTANCE OF CSER

In today's economy, CSER practices have been widely spread around the world and have become well-known business practices. Companies committed to CSER can enhance their reputation and show their competitiveness (Deegan 2017). Thus, they should implement policies and procedures to integrate social, environmental, and ethical and human rights or consumer concerns into business operations and core strategies in collaboration with their stakeholders. The objective is to achieve a positive impact on society as a whole, while maximising the value creation in companies and benefitting all stakeholders. Thus, companies must understand their stakeholders' views and concerns on various environmental, social, corporate governance and economic issues and integrate those views in their strategic decision-making processes (Noked 2013). Generally, CSER allows companies to present the way they address stakeholders' concerns and manage the impacts of their corporate governance, economics, environmental and social issues. Furthermore, CSER gives companies the opportunity to improve through cost savings and value enhancement while contributing to the society. Therefore, as a part of companies' strategy, CSER allows companies to interact with their key stakeholders and act a strategic tool to increase company's value creation (Husted & Allen 2007).

CSER AND STAKEHOLDER POWER

Companies' perception of stakeholders' information need is related to stakeholder power level and disclosure level of CSER (Roberts 1992). Evidence has shown that companies are more responsive to the concerns of financial stakeholders than environmentalists. Magness (2006) revealed that high-profile companies have high CSER engagement when stakeholder power is high. Islam and Deegan (2008)'s study on Bangladeshi clothing industry found that CSER can be affected by major international customers in which companies must address the issue of labour practices to avoid any boycott action against their products.

CSER is a tool used by companies to meet stakeholders' expectation for the survival of their organisation. Ullmann (1985) suggested that stakeholder power is related with companies' response to supply environmentally related information. Several studies support the view that CSER

is managed by companies strategically (Deegan et al. 2000). Gray et al. (1996) suggested that stakeholders are managed on the basis of their importance to companies. Such importance determines companies' efforts to manage the relationship. This view is consistent with that of Livesey (2002) who found that companies may report instrumentally and can alter their CSER practices according to their perceptions of stakeholder power (Magness 2006). Some studies also found that companies are proactive and attentive towards powerful stakeholders (Bailey et al. 2000; Buhr 2002). However, the selective attention to satisfy each group of stakeholders may negatively affect companies' financial performance (Reynolds et al. 2006).

Therefore, CSER provides companies the opportunity to connect to all their stakeholders. CSER also presents its efforts on companies' ability to address challenging CSER issues, such as climate change. Moreover, CSER reports information to assist current and potential shareholders in making investment decisions. According to Jothi (2016)'s empirical study in India, community and group pressure, which includes NGOs, is ranked as the second driving factor of CSER, whereas compliance with companies' actions ranks first. The result suggests that stakeholder power has an influence on CSER.

CSER IN MALAYSIA

The level of CSER of public listed companies in Malaysia is still generally low (Anas et al. 2015; Saleh et al. 2010; Zainal et al. 2013). Most previous studies on CSER by public listed companies in Malaysia found that reporting appeared to be low and restricted to general and ad-hoc statements on environmental matters (Saleh et al. 2010; Zainal & Zainudin 2013). A few studies have also investigated on the motivations for and determinants of CSER in Malaysia. However, studies conducted from stakeholders' perspective are limited.

Prior studies found that some of the factors, which influence the decision of the management to disclose CSER information, are company size, leverage, award, director ownership and government ownership (Abdullah & Sulaiman 2015; Ahmad & Sulaiman 2014). The finance and plantation industries have high CSER (Abdul Rashid & Ibrahim 2002; Amran & Devi 2008; Saleh et al. 2010). The absence of a detailed CSER framework in Malaysia can be the reason why CSER is presented with several narrative disclosures instead of verifiable information.

RESEARCH FRAMEWORK

According to the stakeholder theory, the principal function of managers is to tackle stakeholders' needs, expectations and demands and manage conflicts among them. Different criteria have been suggested on how and why managers should allocate priorities to competing stakeholder views and demands and the way to find the appropriate level of engagement. Freeman (1984) suggested that instead of solely focusing on the maximisation of shareholders'

interests, companies should consider the interests of the wide community, such as employees, customers, suppliers and environmentalists. This study employs the stakeholder theory to explain the effects of stakeholder power and CSER disclosure. Furthermore, the stakeholder theory explicitly recognises that companies evolve within a society, which includes many political, social and institutional frameworks (Patten 1991; Deegan et al. 2002). Figure 1 shows the framework of this study.

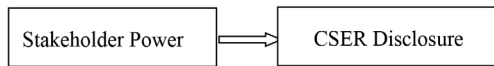


FIGURE 1. Research Framework

Companies must communicate relevant information to their stakeholders, and stakeholders have the right to access specific information to enable them to make decisions (Gray et al. 1987). The stakeholder theory also states that companies should use social and environmental disclosures in annual reports as a strategic tool to achieve their goals and manipulate the attitudes of external stakeholders (Guthrie & Parker 1990).

METHODOLOGY

This study applied qualitative research method (Creswell 1998; Denzin & Lincoln 2000). The data collection had two phases. First, content analysis was used to examine the CSER disclosure in the annual reports of public listed companies in Malaysia. Content analysis of annual reports is a well-established technique in examining voluntary disclosure and has been widely used in CSER studies (Abdifatah & Mohd-Ghazali 2012; Nik-Ahmad & Ahmed-Haraf 2013; Jindal & Kumar 2012). This study analysed 50 annual reports of plantation companies, that is, same 10 companies per year from 2012 to 2016. As qualitative research does not use sampling methodology because generalising is not its goal (Krippendorff 2004), a total of 10 companies per year was decided in accordance with prior studies (e.g. Abraham & Shrivs 2014; Nik-Ahmad & Mohammad 2013). Prior studies found that large companies disclose high volume of CSER information in annual reports (Buniamin et al. 2008; Nik-Ahmad & Ahmed-Haraf 2013). Thus, the selection of the samples in the present study was based on company size as determined by market capitalisation. This study focused on the plantation industry because it has high levels of CSER in Malaysia (Amran & Dev 2008; Saleh et al. 2010). In addition, the plantation industry in South East Asian countries is subject to much attention from the international media due to social and environmental issues that eventually caused the increase of stakeholders' demands for high accountability and good quality of CSER disclosure (Sumiani et al. 2007). This study also selected the plantation industry due to its importance in Malaysia, especially in the economy of the nation (Wicke et al. 2011).

This study adapted the encoding procedure and disclosure checklist by Abd Rahman (2016), as depicted in Table 1. The checklist was developed on the basis of previous studies and CSR framework by Bursa Malaysia. CSER information was recorded on the basis of the quality of disclosure. Similar with Abd Rahman (2016), this study adapted a three-point Likert scale approach, that is, zero (0) for non-disclosure, one (1) for information disclosed in general term and two (2) for detailed information, including quantitative information. The total possible score of CSER disclosure for each company for each year was 50.

TABLE 1. CSER disclosure checklist

No.	CSER Items
1.	Number of employees. (age, gender, region)
2.	Employees' appreciation.
3.	Employees training.
4.	Discussion of employees' welfare.
5.	Information on safety of employees.
6.	Information on accidents.
7.	Equal opportunity policy statement
8.	Reporting on the company's relationship with trade union and/or workers.
9.	Donations to charity.
10.	Community development (health and education).
11.	Internship programs for graduating students.
12.	Sports activities
13.	Employee involvement on community programs (charity).
14.	Environmental protection programs.
15.	Environment pollution (haze, water, noise)
16.	Location of logging & clearance
17.	Energy efficiency or investing in renewable technology
18.	Water efficiency
19.	Waste management
20.	Recycling
21.	Reporting on any strikes, industrial actions/activities and the resultant losses in terms of time and productivity.
22.	Information on safety of products.
23.	Awards received by the company that relate to social, environmental and best practices.
24.	Stakeholder engagement dialogue
25.	Customer satisfaction survey

Most CSER studies mainly use secondary data; thus, Kim et al. (2013) highlighted the value of qualitative approach in exploring the CSER phenomenon from different perspectives. The present study adopted an in-depth qualitative study as suggested by Miles and Huberman (1994) and Guba and Lincoln (2005) to gain broad social

knowledge of CSER and the emerging contributing barriers for CSER in Malaysia. Six interviews were successfully conducted, and the interviews lasted between 60 minutes to two hours each.

Prior literature has provided the basis of stakeholder selection (Belal & Roberts 2010; Maessen et al. 2007;), and the participants were selected because of their significance to organisations' CSER practices. Among the established stakeholders are shareholders/investors, regulators, employees, customers, NGOs, media and trade unions who are the key stakeholders. They are identified to influence organisations' CSER activities (Forbes & McIntosh 2011). The appropriate number of qualitative interviews differ among researchers, so Eisenhardt (1989) suggested that the ideal range is between four and eight.

Although a guideline was prepared, the interviews were conducted in an open-ended manner to allow the interviewees' opinion to flow naturally in the conversation. The questions asked were of a larger scope than the research questions to allow for digressions regarding CSER and perceptions of other groups of stakeholders. Both are useful for comparison and are important to gain 'naturalistic' insights and avoid high levels of 'desirability bias' (Crane 1999). Table 2 presents the background of the interviewees.

Gathering industrial people to participate in a qualitative research is difficult as they are generally reluctant to be interviewed and are concerned about corporate confidentiality (Harris & Robert, 2003). Fortunately, the access for this study was made possible with the help of a few friends. All the interviewees are secondary stakeholders.

A formal letter with a signed envelope requesting face-to-face semi-structured interviews was sent to various stakeholder groups in January 2017. The interviewees were selected on the basis that they were considered the most knowledgeable people in their respective fields. The researcher visited the field in February–May 2017 after securing the agreement from the participants. The interviews were conducted at the interviewees' respective offices. The semi-structured interviews were face to face, and formal interview guidelines were followed to ensure that the interviewees understood the research purpose. The interviewees were assured on the confidentiality of their inputs and were aware of their rights to withdraw

from the interview at any time. Furthermore, the nature of the interviews was informal. The interviewees were encouraged to freely discuss their opinions and share their views on CSER development in Malaysia, contribute their ideas and give suggestions to the current study. This method allowed the study to obtain as much inputs as possible from the interview sessions. The interviews were also electronically tape recorded.

We recorded the audio interviews with permission from the interviewees. The data were transcribed into text verbatim and coded into themes obtained from previous CSER literature. The recorded tapes were played several times to avoid missing any information recorded from the interviews. However, all provided information was adequate to answer semi-structured questionnaires, which were prepared based on literature review. Interviews were conducted in person, and the participants were further assured that the data would not be used for any other purposes other than the research and their background would be private and confidential.

The interview data were later categorised and constructed into themes related to stakeholders and the importance of CSER from the stakeholders' point of views.

FINDINGS AND DISCUSSION

FINDINGS FROM THE CONTENT ANALYSIS

Figure 2 shows the average score of CSER disclosure of 50 sample companies from year 2012 to 2016. It shows that the level of CSER disclosure among plantation companies is increasing and improving every year, which indicates that a little effort has been put in by the companies to improve their accountability.

Table 3 presents the score for each CSER disclosure item. The highest score of disclosure falls under the 'reporting on any strikes, industrial actions/activities and the resultant losses in terms of time and productivity', followed by 'environmental protection programmes' and 'community development'. A possible justification on this disclosure behaviour is that companies may be facing great pressures from NGOs and communities regarding their responsibility towards the society and environment. Haze, which is caused by forest fire by plantation companies, has started to worsen in Malaysia since 2012 (Amil et al.

TABLE 2. Background of interviewees

Interviewee ID	Interviewee status	Nature of Organizations
P1	High Rank Officer	Department of Environment
P2	President	Non-government organization (Environmentalist)
P3	Financial Analyst	Investment Company
P4	General Manager	Investment company
P5	Officer	Department of Environment
P6	Officer	Department of Environment

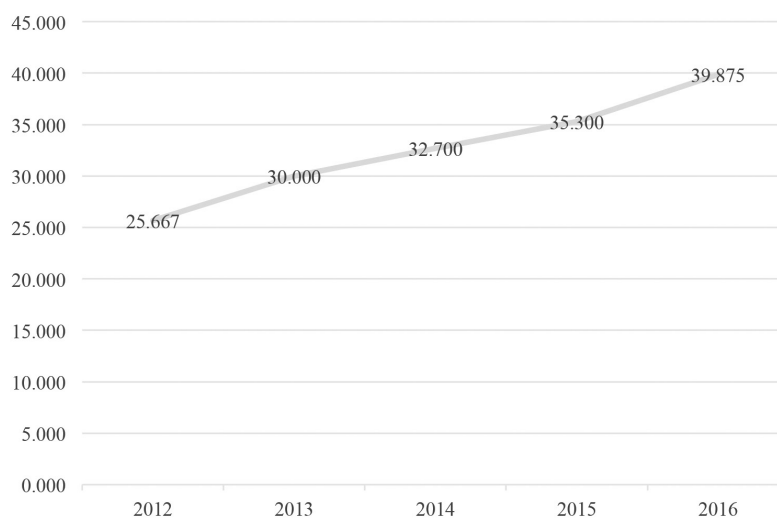


FIGURE 2. Average score of CSER disclosure by year (N=50)

TABLE 3. Descriptive Statistics of CSER Disclosure (N=50)

CSER Disclosure Item	Mean	Frequency (%)		
		0	1	2
Reporting on any strikes, industrial actions/activities and the resultant losses in terms of time and productivity.	1.840	0.00	0.16	0.84
Environmental protection programs.	1.820	0.08	0.02	0.90
Community development (health and education).	1.820	0.00	0.18	0.82
Donations to charity.	1.700	0.00	0.30	0.70
Energy efficiency or investing in renewable technology	1.620	0.00	0.38	0.62
Stakeholder engagement dialogue	1.620	0.14	0.10	0.76
Awards received by the company that relate to social, environmental and best practices.	1.520	0.12	0.24	0.64
Environment Pollution (Haze, Water, Noise)	1.460	0.12	0.30	0.58
Equal opportunity policy statement	1.440	0.12	0.32	0.56
Location of logging & clearance	1.440	0.14	0.28	0.58
Waste management	1.400	0.12	0.36	0.52
Information on safety of employees.	1.400	0.04	0.52	0.44
Sports activities	1.340	0.10	0.46	0.44
Employees training.	1.300	0.10	0.50	0.40
Water efficiency	1.220	0.18	0.42	0.40
Employee involvement on community programs (charity).	1.180	0.34	0.14	0.52
Recycling	1.180	0.12	0.58	0.30
Discussion of employees' welfare.	1.160	0.12	0.60	0.28
Information on safety of products.	1.160	0.20	0.44	0.36
Number of employees. (age, gender, region)	1.040	0.26	0.44	0.30
Internship programs for graduating students.	1.020	0.26	0.46	0.28
Information on accidents.	0.920	0.36	0.36	0.28
Reporting on the company's relationship with trade union and/or workers.	0.920	0.28	0.52	0.20
Employees' appreciation.	0.700	0.40	0.50	0.10
Customer satisfaction survey	0.500	0.52	0.46	0.02

2016). As a member of the society, plantation companies are expected to meet the expectations of the community in their way of operation (Luo & Tang 2014). The survival of companies is also substantially dependent upon public acceptance towards their activities. As a result, companies have been found to have the tendency to improve their information disclosure on environmental programs, as well as their actions for community development, since 2012. Campbell (2004) found that companies can continue their operation if they conform to the expectations and norms of the society within which they operate. The lowest score of disclosure falls under 'customer satisfaction survey'. A possible reason for this disclosure is because companies only receive less pressure from customers as regards their products and services due to the nature of plantation business.

FINDINGS FROM THE INTERVIEWS

Based on the evidence obtained, all interviewees highlighted the importance of CSER in Malaysia nowadays. According to the five interviewees, stakeholders are very concerned with the information and activities that contribute to society and environmental pollution. These factors may support our supposition about the link between CSER disclosure and stakeholder power in Malaysia. Only one of the interviewees (P4) highlighted that the most important information for investment decision-making purposes is financial performance of companies rather than CSER practice or disclosure.

STAKEHOLDERS AND THE IMPORTANCE OF CSER DISCLOSURE IN MALAYSIA

P1, P5 and P6 prefer to shift to self-regulation approaches. Therefore, industries must be responsible for activities, including CSER practices. Currently, different government agencies and regulatory authorities lack coordination. As highlighted by P2, *'there is no coordination amongst different agencies involved for organizational environmental issues. The decision-making process of the public sector was continually caught up in a "red tape"*. Thus, government and regulatory authorities must provide companies good guidelines to improve CSER disclosure. In Malaysia, only public listed companies are required to disclose their CSER. However, revealing the details of items to be disclosed is still at the discretion of companies and remains voluntary. Therefore, the Department of Environment (DOE) has provided a written guideline for companies to meet the expectations of the society and protect the environment.

The guideline issued by DOE sets out the objectives of Malaysia environmental policy. The guideline also explains the environmental requirements related to the prevention, abatement and control of pollution and enhancement of the environment in Malaysia under the Environmental Quality Act of 1974. In Malaysia, environmental impact assessment (EIA) is required for activities prescribed under the Environmental Quality (Prescribed Activities) (EIA)

Order 1987. Malaysia has also adopted two EIA procedures, namely, Preliminary EIA and Detailed EIA. The preparation of EIA reports should be in accordance with the guidelines prescribed in the DOE Handbook of EIA Guidelines.

All the interviewees highlighted the need and importance of coordination among government departments and regulatory authorities. P1 and P2 claimed that when pollution or environmental issues or cases are reported or highlighted by the media, no proper investigations are usually conducted. They also mentioned that responsibility is always avoided by blaming on other agencies. This weak coordination may distort the implementation of laws, thereby negatively affecting and limiting organisations' CSER initiatives (Acutt & Medina-Ross 2004). Thus, joint coordination among governments and regulatory agencies can potentially decrease social and environmental costs. Such coordination can also responsibly improve organisations' operation in satisfying the needs of the society's expectations and environmental concerns (Hamann & Acutt 2003; Naeem & Welford 2009).

Furthermore, as claimed by P3, the government can be significantly involved in implementing CSER policy and strategy with close monitoring of companies' CSER activities. Interviewee P3 explained that the new strategy and reporting have been introduced to public listed companies in Malaysia. The companies must provide CSER reports to related agencies, which are concerned on CSER issues that can contribute to the society. Thus, companies should increase their involvement in CSER, and regulatory agencies must work together with companies.

Regulatory agencies can play their role by introducing relevant laws and developing a detailed CSER framework. Recognised companies' efforts through awards or financial rewards can also positively improve companies' CSER practices (Porter & Kramer 2006; Gonzalez & Martinez 2004). For example, as highlighted by P4, *'the Department of Environment has a significant role in the illegal logging activities'*. P1 and P2 also claimed that CSER is only witnessed in the events of natural disasters (such as during floods and haze). P2 claimed that ad hoc activities in the form of donations cannot always be construed as CSER. She suggested that a genuine approach to CSER can be the provision of sustainability education and training programmes for companies. P4 said that most companies are concerned about their short-term profit, which demotivates them from fulfilling their social responsibilities. They should realise that CSER activities are beneficial to their companies in the long run and are not just about helping the society. Furthermore, some interviewees (P1, P2 and P3) were mainly concerned about the global climate change issue and suggested companies. As explained by P3, *'to prepare to face the challenges of climate change through their social and environmental behaviour'*.

Interviewees P1, P2, P5 and P6 pointed out that the prevalent corruption and political practices affect CSER practices. They were concerned that the involvement of political leaders and government officers in corruption have

resulted in the lack of accountability in the corporate sector. For example, as claimed by P5 ‘...the only reason because that activity could make them rich’. The interviewees also highlighted that companies use political power to avoid the consequences of non-compliance with local laws and regulations related to environmental issues. This opinion is consistent with that of Baughn et al. (2007), who stated that corruption affects CSER despite government and other stakeholders’ initiatives.

Furthermore, as highlighted by P3, ‘Malaysia has the policy and law but the realization to implement them is very low.’ He also claimed that if companies have a ‘closer’ relationship with the ‘invisible hand’ than the enforcement, then legal actions cannot easily go against them. Political pressure suggests that political corruption and issues are significant in CSER, especially in monitoring CSER practices. This finding is affirmed by P2’s critique of regulatory for their non-implementation of effluent treatment plants by the companies that do illegal logging. Our finding is consistent with that of Khojastehpour (2015), who found that corruption among politicians and corporate leaders has a negative implication on CSER. To achieve sustainable business practices, companies must address the complexities associated with corruption. In plantation companies, deforestation may continually occur despite the society’s concerns regarding its harmful effects on the environment. Schepers (2006) also argued that the level of corruption has affected government strategies towards CSER in the least developed countries

CONCLUSION

The concept of CSER requires full commitment from organisations to achieve sustainable economic development of society. Such a commitment may include direct and indirect engagements with the local community, thereby allowing companies to identify the basic needs of the society and integrating the needs towards their business goal. The Government of Malaysia through DOE perceives CSER as businesses’ contributions to the nation’s sustainable development goals, which resulted in the introduction of CSER guidelines and practices.

This study found that CSER has an important implication on Malaysia. The results provide evidence that secondary stakeholders have tremendous impacts on CSER practices and organisation disclosures in Malaysia. From the content analysis, this study reveals that the pressure from secondary stakeholders may be one of the driving factors that can motivate CSER disclosure in Malaysia. Interestingly, evidence from the interviews indicates that other stakeholders acknowledge the importance of CSER. However, when making decisions, the only element they refer to is the profitability of organisations. In addition, this study has several limitations. First, only six interviews were conducted. Second, the views of the interviewees might have been influenced by personal beliefs. Thus, the cultural context can be considered in future research.

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