Identifying the key determinants of effective corporate sustainability reporting by Malaysian government-linked companies

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Identifying The Key Determinants of Effective Corporate Sustainability Reporting by Malaysian Government-Linked Companies

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Int. Dip., AA (UK), Part I, RIBA
MBA (SCU)

THIS RESEARCH THESIS WAS SUBMITTED IN FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF DOCTOR OF BUSINESS ADMINISTRATION SOUTHERN CROSS UNIVERSITY AUSTRALIA JANUARY 2012
DECLARATION OF ORIGINALITY

I certify that the work presented in this thesis is, to the best of my knowledge and belief, original, except as acknowledged in the text, and that the material has not been submitted, either in whole or in part, for a degree at this or any other university.

I acknowledge that I have read and understood the University’s rules, requirements, procedures and policy relating to my higher degree research award and to my thesis. I certify that I have complied with the rules, requirements, procedures and policy of the University (as they may be from time to time).

Puvan Jegaraj Selvanathan
Date: 16th October 2011
I am grateful to the many who helped me with my research: my supervisor, Dr K. J. John; and my friends and peers in the CSR and Sustainability practitioner community in Malaysia and internationally.

I thank DWM, whose personal leadership and professional commitment to Sustainability is an inspiration; and my colleagues SSE, CT and AK who assisted and supported this research process.

I thank the staff of City University College of Science and Technology and Southern Cross University.

Most importantly, for their unrelenting faith in me, thanks go to my father and mother; Anja, my wife; and my two daughters Merlyn and Mila.
ABSTRACT

Government-Linked Companies (GLCs) underpin the Malaysian economy in areas including plantations, energy, transport, banking and utilities. As many are multinationals (MNCs), or becoming so, they face increasing pressure from global consumers and investors to report on the sustainability of their operations, products and services. Accordingly this research considered the problem of “identifying the key determinants of effective corporate sustainability reporting by Malaysian Government-Linked Companies”.

This research investigated whether GLCs have appropriate strategies, knowledge, resources, and organisational frameworks to report effectively; and if they are incentivized by Government to do so. The study used a two-stage mixed-methodology. The first qualitative and exploratory stage, using data collected from a literature review and a focus group, developed an initial theoretical model of what constitutes, drives and supports effective sustainability reporting. The second stage, quantitative and confirmatory, tested the theoretical model against the results of a web survey and analysis by structural equation modeling. The final model on attributes of effective reporting demonstrates that the challenges faced by GLCs are the mediating variable between their ability to report effectively and Government policy and incentives to do so.

A key recommendation of the research for Government is that sustainability reporting based on international standards should be made mandatory. For GLCs the recommendations are to develop a strategic business case; establish an organisational governance structure; install a system for managing sustainability; and focus on stakeholder-engagement for inputs and guidance.

This research has implications for MNCs from emerging economies seeking to attain, retain or develop competency in sustainability reporting to attract global investors, talent and gain access to export markets. It also has implications for developing country governments aiming to support their domestic and exporting industries by creating business-enabling environments and encouraging good business practices that meet international expectations.

**Keywords:** Corporate sustainability, sustainability reporting, critical success factors, Government Linked Company (GLC), multinational corporations, GLC Model.
# ABBREVIATIONS

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<thead>
<tr>
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<th>Description</th>
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<tr>
<td>A4S</td>
<td>Accounting for Sustainability Project</td>
</tr>
<tr>
<td>AA1000SES</td>
<td>AA1000 Stakeholder Engagement Standard</td>
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<td>AA1000AS</td>
<td>AA1000 Assurance Standard</td>
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<tr>
<td>ACCA</td>
<td>Association of Certified Chartered Accountants</td>
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<td>AEP</td>
<td>American Electric Power</td>
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<td>ALCOM</td>
<td>Aluminium Company of Malaysia Berhad</td>
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<td>BASF</td>
<td>Badische Anilin- und Soda-Fabrik</td>
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<tr>
<td>BM Online</td>
<td>Bursa Malaysia Online</td>
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<tr>
<td>BM PBS</td>
<td>Bursa Malaysia: Powering Business Sustainability</td>
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<td>BNM</td>
<td>Bank Negara Malaysia</td>
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<tr>
<td>BT</td>
<td>British Telecom</td>
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<tr>
<td>CAC 40</td>
<td>Cotation Assistée en Continu 40 (French stock market index)</td>
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<tr>
<td>CAFOD</td>
<td>Catholic Overseas Development Agency</td>
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<td>CCI</td>
<td>Corporate Community Investment</td>
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<td>CDM</td>
<td>Clean Development Mechanism</td>
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<td>CDP</td>
<td>Carbon Disclosure Project</td>
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<td>CERES</td>
<td>Coalition for Environmentally Responsible Economies</td>
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<td>CFA</td>
<td>Confirmatory Factor Analysis</td>
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<td>CIMA</td>
<td>Chartered Institute of Management Accountants</td>
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<td>COP</td>
<td>Communication on Progress</td>
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<td>CR</td>
<td>Corporate Responsibility</td>
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<td>CRF</td>
<td>Connected Reporting Framework</td>
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<td>CS</td>
<td>Corporate Sustainability</td>
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<td>CSI</td>
<td>Cement Sustainability Initiative</td>
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<td>CSR</td>
<td>Corporate Social Responsibility</td>
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<tr>
<td>DAX</td>
<td>Deutscher Aktien-Index (German stock market index)</td>
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<tr>
<td>IAS</td>
<td>International Accounting Standard</td>
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<tr>
<td>DFID</td>
<td>Department for International Development</td>
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<td>DSJI</td>
<td>Dow Jones Sustainability Index</td>
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<tr>
<td>EES</td>
<td>Economic, Environmental &amp; Social</td>
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<td>Abbreviation</td>
<td>Full Form</td>
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<tr>
<td>EHS</td>
<td>Environmental Health &amp; Safety</td>
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<td>EIA</td>
<td>Environmental Impact Assessment</td>
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<td>EMS</td>
<td>Environmental Management and Production Systems</td>
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<td>EPU</td>
<td>Economic Planning Unit</td>
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<td>ESG</td>
<td>Environment, Society &amp; Governance</td>
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<td>ESH</td>
<td>Environment, Safety &amp; Health</td>
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<td>EU</td>
<td>European Union</td>
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<td>FAMA</td>
<td>Federal Agricultural Marketing Authority</td>
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<td>FDI</td>
<td>Foreign Direct Investment</td>
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<td>FELDA</td>
<td>Federal Land Development Authority</td>
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<td>FFD</td>
<td>Forest Footprint Disclosure Project</td>
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<td>FMCG</td>
<td>Fast-Moving Consumer Goods</td>
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<td>FSC</td>
<td>Forest Stewardship Council</td>
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<td>FSRI</td>
<td>Forum for Sustainable and Responsible Investment</td>
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<td>FTSE</td>
<td>FTSE International Limited</td>
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<td>G20</td>
<td>Group of 20 Finance Ministers and Central Bank Governors</td>
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<td>G3</td>
<td>Sustainability Reporting Guidelines</td>
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<td>GBU</td>
<td>Global Business Unit</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GE</td>
<td>General Electric Company</td>
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<td>GHG</td>
<td>Greenhouse Gas</td>
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<td>GLCs</td>
<td>Government-Linked Companies</td>
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<td>GTP</td>
<td>GLC Transformation Programme</td>
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<td>GLIC</td>
<td>Government-Linked Investment Companies</td>
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<td>GNP</td>
<td>Gross National Product</td>
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<td>GoA</td>
<td>Government of Australia</td>
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<td>GoM</td>
<td>Government of Malaysia</td>
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<td>GoN</td>
<td>Government of Norway</td>
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<td>GRI</td>
<td>Global Reporting Initiative</td>
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<td>HP</td>
<td>Hewlett-Packard Company</td>
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<td>HR</td>
<td>Human Resource</td>
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<td>HREC</td>
<td>Human Research Ethics Committee</td>
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<tr>
<td>HRH</td>
<td>His Royal Highness</td>
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<td>Acronym</td>
<td>Full Form</td>
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<tr>
<td>HSBC</td>
<td>Hong Kong and Shanghai Banking Corporation Limited</td>
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<tr>
<td>ICCLR</td>
<td>International Centre for Criminal Law Reform</td>
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<tr>
<td>ICPE</td>
<td>United Nations International Centre of Public Enterprises</td>
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<tr>
<td>ICRM</td>
<td>Institute of Corporate Responsibility Malaysia</td>
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<td>IFAC</td>
<td>International Federation of Accountants</td>
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<td>IFC</td>
<td>International Finance Corporation</td>
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<td>IGO</td>
<td>Intergovernmental Organizations</td>
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<td>IIRIC</td>
<td>International Integrated Reporting Committee</td>
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<td>ILO</td>
<td>International Labour Organization</td>
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<td>INCR</td>
<td>Investor Network on Climate Risk</td>
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<td>IOI</td>
<td>IOI Group Company</td>
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<td>IPIECA</td>
<td>International Petroleum Industry Environmental Conservation Assoc.</td>
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<td>IPO</td>
<td>Initial Public Offerings</td>
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<tr>
<td>IR</td>
<td>Integrated Report</td>
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<tr>
<td>ISAE3000</td>
<td>International Standard on Assurance Engagements 3000</td>
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<tr>
<td>ISIS</td>
<td>Institute of Strategic and International Studies (Malaysia)</td>
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<tr>
<td>ISO</td>
<td>International Organization for Standardisation</td>
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<td>IUCN</td>
<td>International Union for Conservation of Nature</td>
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<td>JSE</td>
<td>Johannesburg Stock Exchange</td>
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<td>JVs</td>
<td>Joint-Ventures</td>
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<tr>
<td>KPI</td>
<td>Key Performance Indicator</td>
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<tr>
<td>LBG</td>
<td>London Benchmarking Group</td>
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<tr>
<td>LISREL</td>
<td>LISREL Software for Structural Equation Modelling</td>
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<tr>
<td>M&amp;S</td>
<td>Marks &amp; Spencer</td>
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<td>MARA</td>
<td>Majlis Amanah Rakyat</td>
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<td>MaSRA</td>
<td>ACCA Malaysia Sustainability Reporting</td>
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<td>MDG</td>
<td>Millennium Development Goals</td>
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<td>MESRA</td>
<td>Malaysia Environmental and Social Reporting Awards</td>
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<td>MGSM</td>
<td>Macquarie Graduate School of Management</td>
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<td>MLI</td>
<td>Maximum Likelihood Indicators</td>
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<tr>
<td>MNCs</td>
<td>Multinational Corporations</td>
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<tr>
<td>MOF</td>
<td>Ministry of Finance</td>
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<td>MOSTI</td>
<td>Ministry of Science, Technology &amp; Innovation</td>
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<td>Acronym</td>
<td>Full Form</td>
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<tr>
<td>RMSEA</td>
<td>Root Mean Square Error of Approximation test</td>
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<td>RSPO</td>
<td>Roundtable on Sustainable Palm Oil</td>
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<td>SAM</td>
<td>Sustainable Asset Management</td>
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<td>SC</td>
<td>Securities Commission, Malaysia</td>
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<td>SCU</td>
<td>Southern Cross University</td>
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<tr>
<td>SEA</td>
<td>Social Environment Assessment</td>
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<td>SEC</td>
<td>Securities &amp; Exchange Commission, USA</td>
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<td>SEM</td>
<td>Structural Equation Model</td>
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<td>Shell MDS</td>
<td>Shell Middle Distillate Synthesis</td>
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<td>SIA</td>
<td>Social Impact Assessment</td>
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<tr>
<td>SIDC</td>
<td>Securities Industry Development Corporation</td>
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<td>SIRAN</td>
<td>Social Investment Research Analyst Network</td>
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<td>SKF</td>
<td>SKF Company, Malaysia</td>
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<td>SME</td>
<td>Small-and-Medium Enterprise</td>
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<td>SPSS</td>
<td>Statistical Package for the Social Sciences</td>
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<td>SR</td>
<td>Social Responsibility</td>
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<td>TBL</td>
<td>Triple Bottom Line</td>
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<tr>
<td>UEM</td>
<td>UEM Group Berhad</td>
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<tr>
<td>UK</td>
<td>United Kingdom</td>
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<tr>
<td>UNCED</td>
<td>United Nations Conference on Environment and Development</td>
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<tr>
<td>UNCTAD</td>
<td>United Nations Conference on Trade and Development</td>
</tr>
<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
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<tr>
<td>UNFCCC</td>
<td>United Nations Framework Convention on Climate Change</td>
</tr>
<tr>
<td>UNGC</td>
<td>United Nations Global Compact</td>
</tr>
<tr>
<td>US / USA</td>
<td>United States of America</td>
</tr>
<tr>
<td>UTC</td>
<td>United Technologies Corporation</td>
</tr>
<tr>
<td>UTM</td>
<td>Universiti Teknologi Malaysia</td>
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<tr>
<td>WBCSD</td>
<td>World Business Council for Sustainable Development</td>
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<td>WCED</td>
<td>World Commission on Environment and Development</td>
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<tr>
<td>WCU</td>
<td>World Conservation Union</td>
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<tr>
<td>WRI</td>
<td>World Resources Institute</td>
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<td>WSSD</td>
<td>World Summit for Sustainable Development</td>
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<td>WTO</td>
<td>World Trade Organisation</td>
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1 CHAPTER 1 – INTRODUCTION

1.1 Introduction

The conventional “laissez-faire” view held that a firm must act solely on economic motives to increase profits (Friedman 1963). This has now shifted to firms being committed to behaving responsibly and integrating corporate social responsibility into their business strategies to support sustainable development (Caroll 1979, Porter & Kramer 2006). Several companies are using the “Triple Bottom Line” (TBL) approach for sustainability reporting. The TBL requires companies to disclose social, environmental and economic performance data and information beyond what is traditionally provided in a company’s annual financial report (Henriques & Richardson 2004).

Malaysian Government-Linked Companies (GLCs) are leading service providers in key strategic areas including plantations, energy, transport, banking and the utilities (GoM MOF 2008). The larger listed Malaysian GLCs are aggressively venturing into overseas markets companies in line with the Government’s policies (Badawi 2004, Abang 2009) and some have become multinationals. Since consumers and investors in the international arena are demanding that ‘corporations should meet the same high standards of social and environmental care’ (Hohnen 2007, p.8) Malaysian GLCs operating internationally are expected to report on the sustainability of their operations, and demonstrate that their products and services are produced in a sustainable manner (GoM 2005, PCG).

However, there is limited scholarship on whether GLCs have appropriate corporate strategies, knowledge, resources and organisational frameworks to meet this challenge.

1.2 The Research Problem

A researcher has to ensure that the problem at hand is defined precisely and presented in the form of a question for investigation (Cooper & Schindler 2003). Viewed in this context, the research problem that will be examined more precisely by this research can be stated as:

‘What are the critical success factors for effective sustainability reporting by multinational listed Malaysian Government-Linked Companies (GLCs)’
1.2.1 The Research Questions

Empirical research is driven by research questions to enable the researcher to stay on track (Perry 2001). Four research questions were developed in Chapter 2 to be addressed by this research, as follows:

a. Does the Government of Malaysia actively encourage Malaysian companies to report on Corporate Sustainability, and if so, how?

b. Do multinational listed Malaysia GLCs face challenges in using available Corporate Sustainability models and reporting formats, and if so, what are they?

c. Does the Bursa Malaysia ‘Powering Business Sustainability’ Guide provide appropriate actions for multinational listed Malaysian GLCs to report on Corporate Sustainability effectively, and if so, how?

d. Do the multinational listed Malaysian GLCs have the ability and capacity to effectively conduct Corporate Sustainability reporting, and if so, how?

1.2.2 The Research Objectives

Based on these gaps in the body of knowledge of this topic, this research has the following objectives:

a. To examine the various schools of thought and theories on sustainability.

b. To identify and assess current models and frameworks for corporate sustainability.

c. To determine if Malaysian Government policies promote sustainability reporting by Malaysian GLCs.

d. To study if GLCs have the ability and capacity to conduct effective Sustainability Reporting.

e. To investigate the challenges that GLCs face in reporting on Sustainability.

f. To offer recommendations on how to make Sustainability Reporting by GLCs more effective.

g. To extend the scholarship on Sustainability Reporting by GLCs.
1.3 Background To The Research

The notion that a firm must act solely on economic motives to increase profits (Friedman 1963, Koh 1998) has shifted radically over the past four decades. Today, stakeholder perceptions compel firms to commit to behaving responsibly and integrating ‘corporate social responsibility’ (CSR) into their business strategies to support sustainable development (Caroll 1979, Drucker 1993, Porter & Kramer 2006).

Firms are now expected to reduce the environmental impacts of their operations, recycle and use more renewable resources (UNGC 2009). Climate change caused by global warming from carbon emissions due to unchecked use of fossil fuels is a major concern of international governments and the United Nations (Lenton, Footitt & Dlugolecki 2009). Consequently, major companies are volunteering reports on their performance and position on greenhouse gas (GHG) emissions (PwC 2009) to demonstrate they are not part of the problem. This is an example of sustainability reporting.

CSR proposes that a private corporation has responsibilities to society that extend beyond making a profit (Wheelan & Hunger 2004) and requires firms to balance their actions with the interests of their shareholders. Figure 1.1 shows how firms can be socially responsible by behaving ethically, managing the wellbeing of their employees, and their impacts on the environment and society (Thomas, Strickland & Gamble 2007).

**Figure 1.1 - Corporate Social Responsibilities Practices**

Source: Thomas, Strickland & Gamble 2007
Governments, investors, consumers and non-government organisations (NGOs) are pressuring companies to disclose their non-financial performance. Porter and Kramer (2006) viewed ‘strategic CSR’ as a situation when a company adds a social dimension to its value proposition by integrating social impacts into its overall strategy to unlock value and increase competitiveness. Good CSR policies as shown in Figure 1.2 can enhance reputations, increase brand and stakeholder value, and lead to sustainable development and business excellence (Johansson & Larsson 2000, Davis 2009). Consequently, CSR and sustainability principles are being mainstreamed into corporate business strategies and reporting.

**Figure 1.2 - CSR in a Business Model for Corporate Sustainability**

![CSR in a Business Model for Corporate Sustainability](source: Adapted from Davis 2009)

There are now a number of frameworks and standards for governments, businesses and other organisations to address responsibility and sustainability issues. These include the Global Reporting Initiative (GRI) framework requiring TBL reporting of social, environmental and economic performance data and information beyond what is traditionally provided in an annual financial report (Henriques & Richardson 2004) or even CSR report.

Sustainability Reporting encompasses not only CSR but also provides data and information that captures the full economic cost of doing business (Meyer 2008). This would disclose metrics on operational emissions and waste and the true costs of environmental damage (Leahy 2007). The World Commission on Environment and
Development (WCED) said that ‘sustainable development’ means being able to develop in a manner that meets the needs of the present without compromising the ability of future generations to meet their own needs (Bruntland 1987). By extension, corporations demonstrate sustainability by reporting on their governance, their performance in Environment, Safety & Health (ESH) and using specific channels such as the Carbon Disclosure Project (CDP 2008) and the Forest Footprint Project (Mardas et al 2009). A company’s sustainability performance can be considered a measure of its operational efficiency (Porter & van der Linde 1995).

More developed countries, particularly members of the European Union, have policies and an agenda for CSR (OECD 2005, EU Comission 2011). Several firms in developed countries address sustainability using the ‘Environment, Society & Governance (ESG)’ framework (UNGC 2009). For example the Shell Group updated its Business Principles in 1997 to commit to sustainable development by balancing short- and long-term interests and integrating economic, environmental and social considerations into decision-making (Wong 2009). The General Electric Company (GE), USA, annually publishes a Corporate Citizenship Report for the benefit of all stakeholders covering sustainability of its business in over 100 countries (GE 2008).

Companies from developing and transition economies have less experience with CSR (Johansson & Larsson 2000). Sustainable Asset Management (SAM) assesses the sustainability practices of 2,500 of the world’s largest companies. Although they include some emerging markets, the focus is on companies in the developed countries (SAM 2009).

More MNCs from Europe and North America are reporting on CSR and sustainability as compared with MNCs from Asia other than Japan. A survey of Malaysian managers in 2004 revealed that 80% were either unaware of CSR or said it was too costly (Amran & Devi 2007). Ghazali (2007) later noted that Malaysian GLCs, firms that are fully or partially owned by the government (Vining & Boardman 1997, Shin 2005), disclose more CSR information in their annual reports as compared to non-GLCs. Although profit-orientated (Mazzolini 1979, Powell 1987) they also have public policy objectives to grow national economies (Millward 2000) by generating wealth, employment, and revenues to finance public investments (Van de Walle 1989).
Malaysian GLCs play a leading role in the Malaysian economy (Beh 2007) by providing key strategic utilities and services including electricity, telecommunications, postal services, airlines, airports, public transport, water and sewage, banking and financial services (The Edge Daily, 26 Feb 2009). In 2007, 47 GLCs listed on Bursa Malaysia accounted for 34.9% of total market capitalization. The 15 largest GLCs contributed an estimated 5% of the workforce (GoM MOF 2008, Abang 2009).

Malaysian Government policy aims for GLCs ‘to be trailblazers on the world economic stage’ (Badawi 2004, p2) but they face challenges in a highly competitive and liberalized international business environment (Belderbos & Sleuwaegen 2005). Civil society and other stakeholder groups are now demanding that companies have “an obligation to be stewards of the environment” (Arthur et. al. 2005, p. 303). International consumers and investors are also demanding that corporations should meet high standards of social and environmental care (Hohnen 2000). This compels GLCs to demonstrate that they operate sustainably through proper sustainability reporting (GoM 2005, PCG).

Abdullah Ahmad Badawi, when Deputy Prime Minister, articulated the importance of CSR and sustainability to the Malaysian Government by noting that “a good reputation will help Malaysian companies compete in world markets by resolving the potential concerns end users may have in developed markets” (OECD 2005, p. 12). To support this the Government launched the ‘Silver Book’ in July 2005 as one of five ‘GLC Transformation Initiatives’. The Silver Book both clarified the Government’s expectations of GLCs’ contributions to society and provided them with guidance on how to conduct business in a socially responsible manner while still creating value for their shareholders (GoM 2005, PCG).

1.3.1 Justification

The preliminary literature review revealed various schools of thought and opinions on sustainability and sustainability reporting. It highlighted that large listed MNCs, typically from the West, are increasingly building sustainability into their values and strategies and producing annual reports using the TBL approach (Henriques & Richardson 2004, Elkington 1994). However, there is no definitive reporting standard to which MNCs must comply, or sustainability performance against which they are benchmarked. The review revealed that the examples of companies addressing sustainability are overwhelmingly
from Organisation for Economic Co-operation and Development (OECD) countries and there is limited scholarship on issues of sustainability reporting by Malaysian GLCs. The literature is silent on whether models for sustainability reporting by Western MNCs are applicable to Malaysian GLCs; and how they may be modulated to address and reflect the national, political, social economic and environmental context in Malaysia. Finally there is limited scholarship on whether Malaysian GLCs have appropriate corporate strategies, knowledge, resources, organisational structures and the tools and processes for measuring and reporting on sustainability. This provides the justification for this research.

1.3.2 Unit Of Analysis

The unit of analysis can be defined as “the primary empirical object, individual or group under investigation” (Davis 2005, p.175). Since the research objectives determine the units of analysis (Cavana, Delahaye & Sekaran 2001), the unit of analysis for this research is multinational listed Malaysian GLCs.

1.4 Research Methodology & Design

The methodology for this research was guided by a research approach or paradigm - a constellation of shared beliefs, values and scientific research techniques (Kuhn 1970). This research blends qualitative and quantitative methods to leverage on the strengths of each paradigm and limit the respective weakness of either (Cameron & Miller 2007). In line with Creswell and Plano Clark (2007) the research has two phases. The first is exploratory and qualitative. The second is confirmatory and quantitative. The data collected is connected between the two phases.

The qualitative paradigm is adopted at the outset to look at how processes are changing, understanding adjustment to the new emerging issue of sustainability reporting and contributing this to theory generation through content analysis (Lincoln & Guba 2000, Cresswell 2003). This is followed with the quantitative collection and analysis of data from a large survey sample (Bryman & Bell 2007) to provide an objective reading of responses to the research issues concerning effective sustainability reporting by Malaysian GLCs.
The researcher then formulated a research design that first generates a research model from a qualitative theoretical framework and then measures its validity by it using quantitative structural equation modeling.

The first stage is an exploratory study of background on the research subject to provide the information necessary to induce or construct a logical model (Rubin & Babbie 1994) on the factors influencing effective sustainability reporting. The second stage is descriptive research to describe the phenomenon more clearly by profiling the factors (Zikmund 2003) and deducing the attributes of the influences on sustainability reporting. The specific steps are clearly shown in Figure 1.3 and fully elaborated in Chapter 3.

**Figure 1.3 – Two-Stage Design & Methodology for This Research**

The Literature Review began the research by allowing research questions to be developed (Step 1). This allowed two complimentary research paths to be pursued, one qualitative and based on testing four research propositions, and the other quantitative and based on four research hypotheses framed in a preliminary research model. The four preliminary hypotheses were developed (Step 2) and a preliminary research model was proposed (Step 3). In parallel, the four research propositions were submitted to a Focus Group and
discussed (Step 4). The Focus Group delivered two outputs: (a) qualitative conclusions from content analysis of the Focus Group’s opinions on the research propositions; and (b) definitions for 16 constructs based on the Focus Group responses. The constructs were presented as questions to a Web Survey (Step 5). The dotted line from Step 5 to the Web Survey indicates that each construct was encapsulated in an item question/statement in for survey participants to respond to in a manner that could be measured. While the survey was being administered, the hypotheses were refined (Step 6) and a final research model was developed by correlating views of authorities from the literature review with the outputs from the Focus Group. The research model was then subjected to quantitative testing using the results of the Web Survey in a structural equation model (SEM) (Step 9). Independent of the SEM the Web Survey results were used to triangulate the opinions of the Focus Group to determine if the survey respondents and the focus group participants were consistent in their opinions (Step 8); and the results were also cross-tabulated to see if the background and/or age of respondents affected the way they responded to the survey. The final Step 10 used SEM to determine a best-fit for the data collected from the survey and the research model was refined on that basis to generate the output of this study.

This mixture of approaches permitted a broader and complementary perspective on the research (Hussey & Hussey 1997) when analysed and discussed in Chapter 4.

1.4.1 Data Collection Techniques

As previously noted, data was collected from multiple sources of evidence to allow for triangulation and gaining ‘a broader or more complete understanding of the issues being investigated’ (Ticehurst & Veal 2000, pp. 50).

Secondary data on the existing body of knowledge in this research area was surveyed in the literature review and is presented in Chapter 2. The literature review met its aims of building a theoretical foundation for the research, identifying research gaps, formulating research propositions and research hypothesis for testing by this research through the collection and analysis of primary data (Leedy 2001 and Baker 2000).

The required primary data was collected in two ways:

- A Focus Group with nine participants. They comprise Corporate Responsibility and Sustainability Practitioners, Managers, Experts, Regulators and Knowledgeable Persons.
• A Web Survey with 214 respondents. This was useful in delivering structured data from a representative sample (Ticehurst & Veal 2000). The survey invited participants from five categories (the same as the Focus Group) who provided quantified, wide-ranging, complex information effectively and in an easily communicable form.

1.4.2 Data Analysis

The process of data analysis in this research, as detailed in Chapter 4, was done in two stages:

• For the qualitative data gathered from the Focus Group the researcher used a three-step approach guided by Neuman (2006): first the data was reduced and coded to identify common emerging themes; then displayed as matrices to facilitate organisation; and was finally analysed to discern patterns from which conclusions were induced on each research proposition. The findings from this exploratory stage were used to refine a hypothetical model on variables driving effective sustainability reporting. These were coupled with the research propositions to generate statements the validity of which could be tested quantitatively by a web survey.

• The responses gathered from the web survey were coded and transcribed into a quantitative form that a computer can analyze (Malhotra 1999). Responses corresponding to values in a Likert scale from each statement in the web survey were subjected to a confirmatory factor analysis (CFA) using the AMOS 7.0 Structural Equation Modeling software. Guided by Anderson and Gerbing (1988), the research model was tested in two stages: first by using a CFA to evaluate construct validity; second by performing structural equation analysis to empirically test the research hypotheses.

1.4.3 Delivering Trustworthy Research

In order to ensure that this research remained free of bias and trustworthy, steps were taken to ensure internal and external validity, reliability and objectivity (Lincoln & Guba 2000, Neuman 2006). The data collected was subject to triangulation and content correlation (Merriam 1998) as detailed in Chapter 3; and tested by using structural equation modeling in Chapter 4.
1.4.4 Ethical Issues

This study obtained approval (No. ECN-10-047) from the Human Research Ethics Committee (HREC), Southern Cross University. The application of ethical safeguards before the data collection commenced is detailed in Chapter 3.

1.5 Structure Of The Thesis

This thesis is presented in five chapters in a structured approach as recommended by Perry (2001). Referencing, formatting and related considerations were based on the *Style Manual for Authors, Editors and Printers* (2002).

*Chapter 1 - Introduction*

This introduction chapter provides the background for the research and frames the study. In describing the research problem the chapter presents the justification for the research poses the research questions. It also outlines the research methodology, noting how primary and secondary was collected and analysed. It defines key terminology, qualifies limitations of the research and provides an overview of the continuing chapters of the thesis.

*Chapter 2 – Literature Review*

Chapter 2 opens with the Concept Map developed to guide the Literature Review. This illustrates first how background theories of Corporate Governance, Sustainability and Corporate Responsibility & Sustainability Reporting are explored to discover Frameworks for Sustainability Reporting. It continues to review the focus theories of Corporate Responsibility & Sustainability Practices in Malaysia, and Sustainability Reporting by GLCs within the broader context of Malaysia and GLCs. The chapter concludes by confirming the relevance of the research problem by identifying gaps in the existing body of knowledge in sustainability reporting by Malaysian GLCs; then formulating appropriate research questions and propositions to be tested in the study.

*Chapter 3 – Methodology*

This chapter details the methodology and design of this research and the paradigms adopted by the researcher. It continues to detail how the Focus Group and Web survey were developed, including how and why sample-categories were defined and participants
selected. The chapter also describes steps taken to ensure reliability and validity of the data collected, and elucidates how ethical concerns were managed.

*Chapter 4 – Data Analysis*

In this chapter the researcher explains how the qualitative and quantitative data collected was analysed. The responses from the Focus Group are consolidated thematically and the results of the web survey are tested using SEM. Findings of correlations of findings from the Focus Group and significant cross-tabulations from survey results are also presented.

*Chapter 5 – Conclusions*

The final chapter assesses the findings relative to the questions posed at the outset of the research. The study proposes attributes of a model for GLCs seeking to report effectively on sustainability. Recommendations are made for regulators and policymakers on how to support and incentivise more effective sustainability reporting for GLCs. The chapter concludes with suggestions for continuing further research and listing limitations that arose during the course of the study.

1.5.1 **Limitations**

There are several models and reporting frameworks for Sustainability Reporting, each having different intents and purposes. This research is limited to those models and frameworks that are considered to be most appropriate for Malaysian GLCs.

The researcher acknowledges three principal limitations:

- Firstly, time and resource constraints prevent the researcher from undertaking a multiple cross-sectional or longitudinal design to provide for aspects of any dynamic changes over time.

- Secondly, the hypothetical model is developed using exploratory techniques based on secondary data and a literature review from a focus group meeting. Furthermore, it was characterized by a judgmental interpretation of the findings which therefore cannot strictly meet the requirements of reliability and validity. However, the researcher attempted to counter this weakness through triangulation and subjecting the hypothetical model to quantitative structural equation modeling methods of analysis.
• Thirdly the use of convenience sampling to select the web survey participants could limit broad applicability of the results.

1.5.2 Definitions Of Key Terms

The key terms are defined below. More detailed descriptions of the terms appear in various sections of the thesis:

• **Government-Linked Companies (GLCs)** are defined by the United Nations International Centre of Public Enterprises’ (ICPE) at Ljubljana, cited in Basu (2005), as any commercial, financial, industrial, agriculture or promotional undertaking owned by public authority, either wholly or through majority shareholding. In Malaysia, the Ministry of Finance (MOF 2008) notes that a GLC is defined by control rather than by percentage ownership, with ‘control’ being the ability to exercise and influence major decisions such as the appointment of Board members and senior management, award of tenders and contracts.

• **Corporate Social Responsibility (CSR) or Corporate Responsibility** was defined by the World Business Council for Sustainable Development (WBCSD) (Holme & Watts 2000, p 8) as “the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large”. A more recent definition of CSR is that of the International Standard 26000 (2010) which states that “Social responsibility is a multi faceted approach that like quality should be integrated into all aspects of how a company conducts its business” (http://www.triplepundit.com/2011/03/iso-26000-definition-social-responsibility/, accessed on 5 January 2012)

• **Sustainability** refers to how an organisation includes and balances economic, social and environmental concerns strategically and operationally, and demonstrates and practices the same (Marrewijk 2003).

• ‘**Triple-Bottom-Line (TBL)**’ is a conceptual framework, a method for measuring and a format for reporting the Sustainability of an organisation by using economic, social and environmental data and information (Elkington 1994).
• **Stakeholders** are defined as individuals or groups of people who are connected to a process, project or business activity (Olander & Atkin 2010); Stakeholders can include the local community, business or industry, government at different levels, internal stakeholders and the media (Freeman 1984).

• ‘**Stakeholder engagement’** is a consultation process that ensures that those people are aware of any changes that are to take place, and are able to adequately partake in the decision making process and the future direction of a project/activity.

### 1.6 Conclusion

This chapter introduced the research problem, the research questions, the unit of analysis and provided justification of the research. These were on the grounds that the findings extend the existing scholarship on the research topic as well as contribute to policy and strategy formulation by the Government and Malaysian GLCs. It then outlined the research design and the data collection instruments for collecting the primary data required for this research. It also presented the measures taken for improving the trustworthiness of the research findings; addressing ethical issues and the structure of the thesis. Finally the key terms were defined. The next chapter is the literature review conducted for this research.
Chapter 2 – Literature Review

2.1 Introduction

The previous chapter provided an overview of this research on the topic “What are the key determinants for effective Sustainability Reporting by diversified Malaysian Government-linked listed multinational companies?” It also introduced the research problem, research questions and research design. This included a literature review for data collection as an essential early step in the research process (Neuman 2006). This chapter reviews literature pertinent to this research.

2.1.1 Purposes of this Review

A literature review enables the researcher to identify how pertinent research issues have been developed and addressed in other contexts (Cavana, Delahaye & Sekaran 2001). This review has four primary aims:

i. To identify the key research issues and emergent themes key to this research (Perry 2001);

ii. To show the path of prior research undertaken and to demonstrate the relevance of the research to the existing body of knowledge (Neuman 2006);

iii. To develop a theoretical framework for the study (Baker 2000); and,

iv. To identify the research gaps for developing the research questions (Perry 2001).

2.1.2 Concept Map

A Concept Map, as shown in Figure 2.1, was developed to guide this literature review and shows links between the key research issues identified in a preliminary literature search. It sets out the relationship between the ‘background’ and ‘focus’ theories (Philips & Pugh 1987) or the ‘parent’ and ‘immediate’ disciplines.

The parent disciplines and background theories for this research are: Corporate Governance, Sustainability, and Corporate Responsibility & Sustainability Reporting.
The immediate disciplines and focus theories are: *Corporate Responsibility & Sustainability Practices in Malaysia*, and *Sustainability Reporting by GLCs*.

**Figure 2.1 - Concept Map of Chapter 2**

2.1.3 Chapter Structure

This Chapter has nine sections following the Concept Map set out in Figure 2.2. The introduction presents the purpose and structure of this review.

- **Sections 2.2 and 2.3** review scholarship on Corporate Governance as it pertains to responsibility and sustainability, and Sustainability as a subject in itself.
- **Section 2.4** discusses the pertinent ‘prior theory’ (Perry 2001, p. 20) on corporate sustainability reporting.
- **Section 2.5** surveys existing models and frameworks available for corporate sustainability reporting.
- **Sections 2.6 and 2.7** focus on Malaysia and GLCs, and the current state of sustainability reporting in Malaysia (respectively).
• Section 2.8 identifies the research gaps, presents the research questions and research propositions and constructs a preliminary research model for testing by this research.

• Section 2.9 presents the conclusion to this literature review.

FIGURE 2.2 - STRUCTURE OF CHAPTER 2

2.2 Governance, Responsibility & Sustainability

2.2.1 Corporate Governance

‘Good corporate governance (CG) is a relatively new discipline and in its broadest sense refers to the relationship between the “governors” of a firm and the “governed” (Solomon & Solomon 2004, p. 12). ‘Good CG is very easy to phrase but a much harder one to understand and appreciate’ (Wallace & Zinkin 2005, p.1).

Definitions of CG tend to be placed at opposing ends of the stakeholder versus shareholders axis (Solomon & Solomon 2004). The 1992 Cadbury Committee on the Financial Aspects of Corporate Governance defines it as “the system by which companies are directed and controlled” (Cadbury 2002, p. 12), which suggests a basic shareholder-
dominant view of the firm. Subsequent definitions have gained greater stakeholder currency. Another pertinent model of CG includes systems to ensure that the organization’s obligations to its major stakeholders – customers, employees, creditors, suppliers and distributors, the community and owners – are met with integrity and in compliance with applicable laws and regulations (Colley et al. 2003).

CG can also be defined as the ways in which suppliers of finance to a firm assure themselves of a good return (Shleifer & Vishny 1997). Good CG is essentially an infrastructure of build-in checks and balances. These are in respect of rules, standards and organizations in an economy that govern the behavior of corporate owners, directors and managers and define their duties and accountability to shareholders and lenders (Gregory 2000).

CG can also be viewed through the lens of CSR as noted by Cadbury that the aim of a good CG framework is ‘to align as nearly as possible the interest of individuals, corporations and society’ (Cadbury, cited in Andriof & Waddock 2002).

The concept of CG has been acknowledged for decades. However, CG issues have merited increasing attention due partly to systemic and endemic business failures and ethical lapses leading to a revival of interest in corporate best practices. Cadbury’s leadership through the report on the Financial Aspects of Corporate Governance (better known as The Cadbury Report) gave corporate governance issues international recognition and provided the impetus for global reform of institutional systems and laws (Roche 2005). The Asian financial crisis 1997 and the accounting scandals in Europe and the United States also led to renewed attention to good CG practices.

*The Asian Financial Crisis*

The emphasis on corporate governance became a much-debated topic during the Asian Financial Crisis in 1997 (Said, Zainuddin & Haron 2009). There are several types of enterprises ranging from state-owned enterprises to single proprietorships in developing Asia. The following remark made by Lord Caldecote cited in Tricker (1994) about the governance problems of British companies may well be true of many Asian companies as well: “The trouble with British companies is that the directors mark their own examination paper” (Tricker 1994, p.1)
Some authorities (Singam 2003, Shenoy & Koh 2001) contend that the crisis emerged from distorted CG structures, recklessness and excesses. The tasks of adopting, refining and adjusting CG has to be an on going process in order to enhance the confidence of international investors (Thomas 2002). This consideration led to Malaysia was one of the first in the East Asian region to respond with its Code on Corporate Governance in March 2000 and subsequently revised in October 2007 (www.sc.com.my/eng/html/cg/cg2007).

The Accounting Scandals

The corporate sector in Europe and the United States was affected by accounting scandals in 2001 / 2002. Several multinational firms collapsed and these included Enron (December 2001), Global Crossing (January 2002), Worldcom (July 2002) and Parmalat (January 2004). In the case of Enron and Worldcom, financial reporting appears to have been deliberately distorted with the objective of misleading investors and the public about the underlying economic performance of the enterprises (Mallin 2007). The subsequent reforms that were introduced were aimed at protecting and safeguarding the interests of investors by raising CG standards to improve the accuracy and reliability of corporate disclosure (Petra 2006). The emphasis shifted to the issues of good governance, accountability and disclosure (Low 2002).

2.2.1.1 The Value of Corporate Governance

There is a strong correlation between good CG and superior shareholder performance (Gompers, Ishii & Metrick 2003). An Investor Opinion Survey conducted by McKinsey, the World Bank and the Institutional Investor magazine in 2002 revealed that almost 90 per cent of respondents in Asia said that they would prefer to invest in the shares of a well governed company then for those of a poorly governed company with similar financial performance (Donc 2003). The stock prices of companies that rate high on social and environmental performance criteria have been found to perform 35 to 45 percent better than the average of the 2,500 companies comprising the Dow Jones Global Index (Collins & Porras 2002).

2.2.1.2 Guidelines & Codes of Corporate Governance

Several CG guidelines and codes of best practices have emerged over the past two decades. These initiatives by national government committees tend to focus on protecting the shareholder and defining the roles and responsibility of boards (Low & Cowton 2004).
The OECD detailed the Common Principles of CG from a private sector viewpoint in 1998. These emphasize on four core standards namely fairness, transparency, accountability and responsibility (Business Sector Advisory Group 1998).

However there is no single agreed system of good CG guidelines and codes of best practice. This is attributable to the different national frameworks of law, regulation and stock exchange listing rules as well as societal values (Cadbury 1992). In the developing countries, governance codes usually address the basic principles of CG that tend to be more established in developed countries through company law and securities legislation (Gregory 2000). In the Anglo-Saxon nations (Australia, Canada, UK and US) a principal objective is to maximize the value of the owner’s investment. The codes therefore tend to emphasize the duty of the board to represent shareholder interests and maximize value. Using a one-tier system, each company has a board comprising executives and non executive independent directors (Cadbury Report 1992; ASX Corporate Governance Council 2003). The evolution of the CG systems in the United States and the United Kingdom are pertinent to this research and these merit discussion.

The United States

The United States is globally the most important capital market with the strictest rules for disclosure of information by listed firms. Disclosure is one of the pillars of the US securities regulation (KPMG 2011).

Two significant developments signalled the commencement of corporate governance initiatives. The first was the regulation of the banking industry in 1933. The second was the enactment of Securities and Exchange Act in 1934. During the 1970s, the corporations were increasingly regulated, both directly and indirectly. The courts began to view the corporation as though it were a natural person and afforded it certain constitutional protections, including First Amendment protection to corporate speech. However, a sharp increase in the number of high profile corporate collapses in the early 1980’s led to increased attention being given to CG policies and practices at both the federal and state levels. Individual directors and boards were increasingly scrutinized as to their roles in protecting and enhancing the performance of the companies they served (Bradley, Schipani, Sundaram & Walsh 2002).

Consequently, the Government established the Treadway Commission in 1987. Its report resulted in the Securities Exchange Commission (SEC) updating the listing requirements
and developing the framework for internal controls. This provided the guidance for assessment and reporting of the internal control system within the organization (CIMA 1999). Subsequently in 1997 The Business Roundtable (“BRT”) issued the revised “Statement on Corporate Governance”. The recommendations of the Blue Ribbon Commission in 1999 on the corporate audit committees and financial reporting marked a significant point in the history of US corporate governance.

The collapse of the Enron Corporation and WorldCom in 2001/2002 resulted in various measures being taken to restore confidence in the corporate financial statements. This led to the Sarbanes-Oxley Act of 2002. The Act set a new system of audit regulations and tougher penalties for corporate wrongdoing. It enhances the quality of company information, including the need for full disclosure. The Act and the related SEC rules prescribe the need for disclosure committees with responsibility for disclosure obligations on a timely basis (Lander 2004).

The Sarbanes-Oxley Act 2002 marked a turning point vis-à-vis the statute law in corporate governance in the United States. It also implies that the Government has moved away from industry self-regulation and is now playing a more positive role in corporate governance. However, critics commented that the Act failed to address certain issues such as compensation for the executive, evaluating the performance of directors, participation of the shareholders in the selection of the directors and the avenues for corporate whistleblowers (Ramon 2001).

United Kingdom

In the United Kingdom, corporate governance developments were defined by a “series of official enquiries and reports” (Roche 2005, p.34). The recession and high profile corporate failures in the 1980’s, including Polly Peck and the Maxwell Communication Group made it necessary to reappraise the whole purpose and process of business enterprise (Davies 1999). The outcome was the establishment of the Cadbury Committee in 1991 by the London Stock Exchange and the accountancy profession. The following year, the Committee issued the Code of Best Practices for all listed companies as guidance for firms on best practices (Dunlop 1998).

The Rutteman Committee was subsequently established to develop guidelines for internal control and financial reporting (Rutteman Report 1994). However, the public in United Kingdom remained concerned over the large reward performance to the boards of the

The Hampel Committee reviewed the recommendations of the Cadbury and Greenbury Committees and issued the Combined Code in May 2000, which has since been incorporated into the Stock Exchange Listing Rules. Companies are not under an obligation to comply with the Code but they have to identify and report on areas of non-compliance with the guidelines of the Code. The main provisions of the Code set out guidance on the principles of corporate governance; the structure of the company boards; the role of its directors; executive remuneration; the role of shareholders, accountability and audit function (Hampel Committee Report, 1998).

The roles and effectiveness of the non-executive director were the subject of the Higgs Review of 2003. In the same year, the Smith Report made recommendations on audit committees. These Reports led to a radical revision of the Combined Code on Corporate Governance in July 2003. Despite these changes, it remains largely self-regulated with the framework focusing on the protection of the financial interests of the company and those of the major shareholders.

2.2.2 Environmental, Social and Governance (ESG)

Companies worldwide, particularly those in the developed countries are emphasizing on a sustainable investing approach by combining vigorous financial analysis with equally vigorous Environmental, Social and Governance (ESG) analysis.

This is reflected by the ESG indicators presented by Goldman Sachs, an investment bank (AHC Group 2006). As shown in Table 2.1,

- ‘Environmental’ aspects are the most prominent due to current focus on global warming and pollution.
- ‘Social’ is concerned with human rights, social justice and economic equality for all people. The widening divide between the rich and the poor reflects this concern,
as is the power that capital has over individuals – hence the broad impacts that businesses and economic systems have on people and cultures.

- ‘Governance’ is about how a company makes decisions, is managed, and implements policy. A key aspect of corporate governance is transparency so shareholders and the public can examine corporate operations and decision making in order to assure sound judgment and control.

**Table 2.1 - ESG Indicators**

<table>
<thead>
<tr>
<th>I. Environmental</th>
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<td><em>Inputs</em> – Energy, Water</td>
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<tr>
<td><em>Outputs</em> – Climate Change, Emissions, Waste</td>
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<th>II. Social</th>
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<td><em>Leadership</em> – Accountability, Reporting, Development</td>
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<tr>
<td><em>Employees</em> – Diversity, Training, Labour Relations</td>
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<tr>
<td><em>Customers</em> – Product Safety, Responsible Marketing,</td>
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<tr>
<td><em>Communities</em> – Human Rights, Social Investments, Transparency</td>
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<th>III. Governance</th>
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<td>Transparency</td>
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<td>Independence</td>
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<td>Compensation</td>
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<td>Shareholder Rights</td>
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*Source: Goldman Sachs (2006)*

Since 2004 investors have called for greater corporate disclosure by publicly traded companies of ESG and sustainability risks in financial filings. The Investor Network on Climate Risk (INCR), a broad coalition of investors and NGOs, worked with the US Securities & Exchange Commission (SEC) to develop guidance on material climate risk disclosure in 2010 such as physical and regulatory impacts, also economic and business opportunities. The United States (US) reflects an international trend towards mandatory corporate disclosure of sustainability performance. Among others, the United Kingdom (UK), France, Germany, Malaysia require assessments of ESG risks in companies’ annual reports (Moffat 2010).
2.2.3 Governing Global Sustainability

Governments, communities and businesses have responded to the challenge of sustainability (Adams & Jeanrenaud 2008). The Rio Declaration and Agenda 21 (United Nations Conference on Environment and Development, 3-14 June 1992 Rio de Janeiro) call on countries to adopt national strategies for sustainable development. The World Summit for Sustainable Development (WSSD) in 2002 urged states to formulate and elaborate national strategies for sustainable development and begin implementation by 2005. A key target of the United Nations Millennium Declaration is to achieve environmental sustainability by integrating the principles of sustainable development into national policies (Katsoulakos & Katsoulacos 2007). The World Conservation Union (WCU), Greenpeace and the WBCSD have also jointly called on governments to set forth a legal and policy framework for combating climate change (Bartsch 2007).

The volume and quality of international, national and local environmental legislation has expanded enormously since 1992 (Adams & Jeanrenaud 2008) reflecting global policy changes. As more Governments ratify international agreements such as the Kyoto Protocol on Climate Change, or encourage companies to sign to commitments such as the United Nations Global Compact (UNGC), they set baseline national standards which supports wider uptake across the economy (Mazurkiewicz 2004).

Governments are direct agents of sustainable development through fiscal, energy, transport, urban development and other policies. They also advocate it by creating awareness, promoting knowledge sharing and innovation on sustainability issues (Katsoulakos & Katsoulacos 2007).

Proper government regulation, and regulatory enforcement, creates markets with good basic standards so companies with environmental practices that go beyond legal compliance are supported by incentives, encouragement, recognition and rewards (Mazurkiewicz 2004). A balance between strategic economic strategies, policy incentives, and boundary-setting environmental regulations, should enable a synergy of profit, environmental protection and innovation.
Business could align their corporate strategies with national strategies and collaborate with NGOs and other stakeholders to innovate business models (Katsoulakos & Katsoulacos 2007). Conversely, companies that fail to track and manage such policy and regulatory trends risk serious competitive disadvantage (Esty & Winston 2006).

The Principles for Responsible Investment (PRI), an investment initiative of PAX World in partnership with UNEP Finance Initiatives and the UNGC advocates investments in companies with positive corporate policies and practices. Guided by the aim of fostering sustainability development, the investment criteria (PRI 2011) relates to:

- **The Environment** - including emission, pollution prevention, recycling and waste reduction and climate change initiatives.
- **Workplace Practices and Human Rights** - relating to diversity, health and safety; labor-management relations; vendor standards and human rights, including indigenous peoples’ rights.
- **Corporate Governance** - including board independence and diversity, executive compensation, auditor independence, shareholder rights, disclosure, conflict of interest, bribery and corruption, transparency, disclosure of political contributions, business ethics and legal and regulatory compliance.
- **Community Impact** - relating to companies’ commitment to and relationships with the communities in which they do business (including their commitment to sustainable development abroad), their philanthropic activities and, in the case of financial institutions, responsible lending practices.
- **Product Safety & Integrity** - embracing product health and safety, animal welfare and emerging technology issues.

### 2.2.4 Corporate Governance Models for Responsibility & Sustainability

In the past Corporate Responsibility (CR) initiatives were typically to enhance corporate image with no change in core business operations (Fernando 2009). Today, business places itself in a wider economic, social and political fabric as depicted in Figure 2.3.
Fernando’s model suggests that creative innovation and enhanced competitiveness arises when social responsibility, corporate values, strategic partnerships and inclusiveness are integrated in a combined sense of purpose. These attributes are described as follows:

- **Responsibility** - managing resources and operations in the interests of both business and community by going beyond regulatory compliance, doing business transparently and avoiding harm to society.

- **Change corporate values** - to become CR-centric and permitting business decisions for both sustainability and profit.

- **Promote inclusiveness** - by extending services, activities, and engagement opportunities to all parts of the community, in a growth strategy that shares opportunities and risks.

- **Strategic partnerships** - with stakeholders based on common needs and interests, guided by a joint vision and mutually enriching sense of purpose.

As an example, Nokia, a mobile telecom equipment company, relates that CR extends to all areas of its operations and all employees play a part in sustainability (Nokia 2010). Vodafone, a mobile network operator, highlights the key challenge of embedding sustainability at every level, by communicating with employees and creating a culture where the instinctive course of action is also the responsible course of action (Vodafone)
2010). Strong corporate governance ensures that these values are translated into action (GE 2010).

The models in the following sub-sections illustrate how different types of multinationals govern sustainability. These figures were developed for this research based on information extracted from the Annual Reports of the companies. The five models are:

- **The Diversified Conglomerate Model (represented by General Electric Company)**
- **The Global Manufacturing Model (Unilever)**
- **The Globally-Integrated Value Chain Model (Royal Dutch Shell)**
- **The Fast-Moving Consumer Goods (FMCG) Model (Proctor & Gamble)**
- **The Telecommunications Model (Vodafone Group)**

These models are illustrated because they reflect distinct differences in operating model and governance of locally incorporated subsidiaries, i.e. if governed by corporate responsibility and sustainability policy that is prescribed centrally or otherwise. For example, the key difference between the Unilever philosophy of sustainability and that practiced by P&G is the extent to which a central corporate policy dictates the operational model of local subsidiaries. The differences illustrated in Figure 2.5 (Unilever) and Figure 2.7 (P&G) show that at the latter the Global Business Units (GBUs) drive the uptake of sustainability according to local market conditions. However at Unilever all sustainability decisions are tested and taken at HQ-level before being disseminated into procurement and other functions.

### 2.2.4.1 The Diversified Conglomerate Model (General Electric Company)

The General Electric Company (GE) considers environmental, social and regulatory issues within several business processes. Performance in these areas is built into individual employee assessments, business compliance and environment reviews, and health and safety assessments. This keeps corporate citizenship embedded within GE’s strategy, planning and execution. Figure 2.4 shows how GE governs the sustainability function within its organisation.

Ongoing dialogue with external stakeholders is an important component, and additional processes are in place to monitor the company’s responsiveness to their concerns.
Specifically, three leadership committees are engaged in these activities GE Citizenship Report (2009) and these are:

- The Public Responsibility Committee (PRC) of the Board of Directors includes the CEO and oversees GE’s positions on CSR and public issues of significance that affect investors and other key stakeholders.

- The Citizenship Executive Advisory Council (CEA) comprises five senior GE executives who meet periodically to review stakeholder feedback and issues important to the company’s citizenship efforts, helping ensure that the appropriate actions and resources are in place.

- The Corporate Executive Council (CEC) brings together 40 of GE’s top leaders, including business chief executive officers, to discuss progress on the company’s strategy and performance, disseminate best practices, and review citizenship initiatives which are linked into broader strategic planning. Societal issues are hardwired to strategy as part of GE’s “Growth Playbook” - the total business environment considered when developing business strategy.

**Figure 2.4 – Sustainability Governance at GE**

A significant initiative is “healthymagination” which was launched in May 2009 which is aimed at better health, focusing on cost, access and quality. Drawing on capabilities from across GE, the firm has committed USD 6 billion of which USD 3 billion is for research and development to launch at least 100 innovations in four critical areas;

- Accelerating healthcare information technology
The initiative benefits from experts and global healthcare leaders on health policies and programmes and reports on progress on an ongoing basis. GE has also established a Health Advisory Board to oversee and provide guidance to the initiative (GE 2008).

2.2.4.2 The Global Manufacturing Model (Unilever)

The Unilever Sustainability Report (2009) states that the Chief Executive Officer (CEO) is responsible for sustainability via a Corporate Responsibility, Issues, Sustainability and Partnerships (CRISP) leadership team. This relationship is depicted in Figure 2.5.

**Figure 2.5 – Sustainability Governance at Unilever**

Unilever’s strategy benefits from the insights of the Unilever Sustainable Development Group (USDG) – five external specialists in corporate responsibility and sustainability who guide and critique the development of strategy. To ensure alignment between these groups, CRISP and USDG are chaired by a Unilever executive.

Specialist teams within Unilever support this work, such as its Environmental Impact Team, Safety and Environmental Assurance Centre, the Global Health Partnerships...
Group and the Sustainable Agriculture Steering Group. These teams also obtain external input, for example, through the Sustainable Agriculture Advisory Board.

This model reflects the importance Unilever places on sustainable sourcing and in ensuring that its supply chain of raw materials is secure in the longer term. Its advisory group is drawn from all its key global markets and offers insight into the expectations of sustainability from the diverse societies they represent.

2.2.4.3 The Globally-Integrated Value Chain Model (Shell)

As indicated in the Royal Dutch Shell Sustainability Report (2009), and shown in Figure 2.6, the Corporate Social Responsibility Committee (CRSC) assesses Shell’s policies and performance with respect to Business Principles, Code of Conduct, HSSE (health, safety, security, environment), social performance standards and major issues of public concern on behalf of the Board of Shell. The committee of four Non-executive Directors meets four times a year and also visits Shell facilities.

**Figure 2.6 – Sustainability Governance at Royal Dutch Shell**

Management accountability for sustainable development rests with the CEO and the Executive Committee. The CEO chairs Shell’s HSSE & SP Executive, which reviews
performance and sets priorities, key performance indicators and targets. Each business and facility is responsible for complying with Shell’s safety, environmental and social requirements. They must also set out to achieve targets measured against their industry peers. Compliance is monitored through an annual assurance letter process (implemented since 2001), which requires relevant senior managers to report back to CEO on the performance of their business or country of operation in following the Group Business Principles and standards. Results are reported to the Audit Committee of the Board.

This model is appropriate for businesses where safety within operations and risk and impact management are paramount considerations. Hence every line manager has sustainability responsibility and the governance structure escalates to the Audit Committee of the Board.

2.2.4.4 The Fast-Moving Consumer Goods (FMCG) Model (Procter & Gamble)

At the Proctor & Gamble Company each Global Business Unit (GBU) (P&G 2009) is responsible for all strategic, manufacturing and sourcing activities. As shown in Figure 2.7, each GBU must also integrate sustainability into business plans and be accountable for sustainability.

**Figure 2.7 – Sustainability Governance at Proctor & Gamble**

![Sustainability Governance at Proctor & Gamble Diagram]

Source: Developed for this Research
Overall sustainability policy is defined by the Corporate Sustainable Development Department (CSDD), which is led by a Director reporting to a VP of Global Sustainability who is accountable to the President & CEO.

This model is appropriate for brand-orientated businesses where local markets or specific product lines will require tailored sustainability initiatives and messages.

### 2.2.4.5 The Telecommunications Model (Vodafone Group)

The Vodafone Group, a UK-headquartered global telecommunications company, manages sustainability issues through a network of ‘issue owners’ within different business functions at Group level and dedicated teams in each of its local markets (Stratos 2007). This management structure is illustrated in Figure 2.8.

![Figure 2.8 – Sustainability Governance at Vodafone](image)

In established markets, the Group CR team acts primarily in an advisory role, offering guidance and raising awareness of the opportunities sustainability can bring to the business, as well as supporting the development of policies. The Group CR team plays a
stronger role in helping to establish robust sustainability management systems and build capability as they move into the new markets.

2.2.5 Corporate Strategy & Sustainability

Vodafone (2010) believes that business strategy and sustainability strategy are inseparable and there are opportunities to grow business by meeting societal needs. Companies should identify and focus on interventions that address sustainability challenges effectively and offer an attractive commercial returns for shareholders (Vodafone SR 2011).

Multinational companies with proactive sustainability strategies are at the leading edge of global business and gain operational, financial, and reputational benefits. They have dramatically decreased costs and reduced their environmental risks. Some have also created entirely new business models profiting from sustainability initiatives centered on new products and markets (Krehmeyer, Lenox & Moriarty 2009). Wal-Mart and GE are good examples of MNCs which have significantly aligned sustainability and corporate strategy (Sarni 2009).

GE earned more than $18 billion in 2008 from energy-efficient and eco-friendly products and services through its *Ecomagination* cross-company business initiative while surpassing emission-reduction targets (*Ecomagination* AR 2009). GE believes that solving environmental problems is both good business and socially responsible and a significant growth strategy for the company.

Wal-Mart, the world’s largest retailer, has made sustainability a critical issue in an overall strategy to leverage its impact through its extensive supply chain (Krehmeyer, Michael & Moriarty 2009). It will require ‘eco-labels’ on products to include carbon, water and waste generated, thereby reducing its own environmental footprint by influencing impacts in its sizeable supply chain (Sarni 2009).

Vodafone’s sustainability strategy sets clear priorities by assessing key sustainability-related opportunities, having a framework of policies and management systems to mitigate risks, and maintaining a firm foundation of corporate responsibility (Vodafone SR 2011).

Lubber (2010) offers the key components for successful sustainability strategy as:
- Having Board oversight and accountability for sustainability issues, having special expertise in this area among Board members, and linking management and line rewards to sustainability performance.

- Regularly engaging key stakeholders such as employees, investors, NGOs, suppliers and consumers on sustainability challenges.

- Transparent reporting on sustainability strategies, targets and performance.

- Improving performance systematically to lower impacts across the entire value chain.

2.3 Sustainability

2.3.1 Corporate Social Responsibility (CSR)

There is an abundance of definitions for CSR but they are largely congruent (Dahlshrud 2006). The WBCSD defines CSR as “the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large” (WBCSD 1998, p 3). The recent ISO26000 definition of CSR says “social responsibility is a multi-faceted approach that, like quality, should be integrated into all aspects of how a company conducts its business” (http://www.triplepundit.com/2011/03/iso-26000-definition-socialresponsibility/, accessed on 5 January 2012).

Porter & Kramer (2006) say CSR is justified in four ways: moral obligation, sustainability, license to operate, and reputation. The moral appeal argues that companies have a duty to be good citizens and ‘do the right thing’; sustainability emphasizes environmental and community stewardship; the notion of license to operate derives from the fact that every company needs tacit or explicit permission from governments, communities, and numerous other stakeholders to do business; finally, reputation is used by many companies to justify CSR initiatives on the grounds that it improves corporate image, strengthens the brand, builds morale, and may even raise the value of its stock (Shum & Yam 2010). Every activity and outcome of business decisions impacts these commitments and licenses to operate (Holme& Watts 2000).

In their subsequent work, Porter & Kramer stressed that the purpose of capitalism must be focused on creating shared values which they defined as “policies and operating practices
that enhance the competitiveness of a company while simultaneously advancing the
economic and social conditions in the communities in which it operates” (Porter & Kramer
2011, p.6).

These definitions suggest that a company’s CSR comprises both a commitment to be
socially and environmentally responsible while striving for economic goals (Dahlshrud
2006, Isaksson & Steimle 2009). Also, ‘CSR may be viewed as an umbrella concept
including corporate citizenship, corporate sustainability, stakeholder management,
environmental management, business ethics and corporate social performance’ (Visser
2006, p.32)

WBCSD (1998) elaborates that CSR is a fundamental concept, like liberty or equality, and
is always being redefined to serve changing needs and times. Hence a company’s social
responsibilities will be viewed differently as societal expectations change. As the
expectation of CSR is that it will add value to primary stakeholders (Olander & Atkin
2010), it necessarily includes the company’s relations with its stakeholders - from market-
related (e.g. customers, shareholders, suppliers), to internal (e.g. employees, management)
or societal stakeholders (e.g. government, NGOs) (Isaksson & Steimle 2009).

Strong stakeholder relationships build reputation, loyalty and other intangible assets to
help gain competitive advantage and contribute to better financial performance (McManus
2011).

2.3.1.1 Strategic CSR

Strategic CSR moves beyond good corporate citizenship and mitigating harmful value
chain impacts and creates initiatives with large and distinctive social and business benefits
for the company (Porter & Kramer2006). A coherent CSR strategy based on integrity,
sound values, and a long-term approach, offers clear benefits to companies and contributes
positively to society (WBCSD 1998).

The closer a social issue is to the company’s core business, the greater the opportunity to
leverage the firm’s resources and capabilities and benefit society (Porter & Kramer 2006).
Strategic CSR invests in developing symbiotic relationships where the success of the
company and community are interdependent.

However, misalignment between business and CSR strategies can result in decisions that
harm reputation (O’Brien 2001).
2.3.2 From Corporate Responsibility Towards Sustainability

Companies facing increasing pressure to address ESG issues often respond through CSR initiatives (Carroll 1998). However philanthropy or addressing social or environmental impacts were not typically core to corporate strategy (PWC 2009). Hence although concerns on such issues were increasing and reshaping the rules of competitive advantage, Sustainability remained peripheral to business (Lacy, Cooper, Rob & Neuberger 2010).

Sustainability is now a global issue and critical to the success of companies (Bonini, Koller & Mirvis 2009). Lacy, Berthon, Teo & Boer (2010, p. 3) note that ‘Sustainable business practices and products are opening up new markets and sources of demand; driving new business models and sources of innovation; changing industry cost structures; and beginning to permeate business from corporate strategy to all elements of operations’.

Marshall & Harry (2005) related sustainability to strategic issues confronting global industries and corporations. Figure 2.9 illustrates how corporations might simultaneously pursue economic, environmental and social performance for “win-win-win” outcomes.

**Figure 2.9—Sustainability & The Global Firm**

![Diagram of the Triple Bottom Line: Economic, Social, Environmental]

*Source: Adapted from Marshall & Harry (2005)*

Sensing the opportunities for gain and competitive advantage progressive businesses are actively responding to both societal and market signals (WBCSD 1998) and now understand that success depends upon their sustainability agenda (PWC 2009). For
example, by strategically protecting the environment a company helps to preserve natural capital upon key to its own operations; and early movers with sustainability goals can develop particular competencies ahead of rivals (Holme & Watts 2000). Competence-based competitive advantage endures because sustainability will remain integral to development (Nidumolu, Prahalad & Rangaswami 2009). Companies ignoring sustainability may miss early and future opportunities for profit and, at worst, risk long-term market valuation and reputation (WBCSD 1998).

2.3.3 Evolution of Terms and Definitions

The growing focus on environmental and globalization challenges join long-standing development issues of economic stagnation, poverty, hunger and illness (Munasinghe 2010). In the late 1980s concepts of “sustainability” and “sustainable development” were propelled to the forefront of public debate (Pezzey & Toman 2002) in parallel with the publication of “Our Common Future” by the World Commission on Environment and Development (WCED), more commonly known as The Bruntland Report. This report urgently appealed for economic development to be sustained without destroying natural resources or the harming of the environment (Katsoulakos & Katsoulacos 2007). Since then, the awareness of issues linking globalization to environment risk has become a political priority (Bello 2000).

The idea of ‘sustainable development’ became accepted after the UN Conference on Environment and Development (UNCED) in 1992, also known as the ‘Earth Summit’, in Rio de Janeiro, and the adoption of the UN’s Agenda 21 (Munasinghe 2010). The impetus was maintained by subsequent initiatives such as the UN Millennium Development Goals (MDG) (2000) to promote human development (Katsoulakos & Katsoulacos 2007), and the World Summit on Sustainable Development (WSSD) (2002) in Johannesburg (Munasinghe 2010).

While there is no single philosophy of sustainable development (Hopwood, Mellor & O’Brien 2005), the most common definition of sustainable development is “development that meets the needs of the present without compromising the ability of future generations to meet their own needs" by the Bruntland Report (WCED 1987, p 43). This definition acknowledges that future generations are stakeholders and, while economic development is necessary to solve current problems, it should not destroy resources they may need
Likewise, Bello (2000) commented that sustainability and development have to proceed together: sustainability being the pre-condition for development to overcome poverty, maintain social equity amongst different communities and between different generations.

‘Corporate Sustainability’ emerged as the business-community’s response to sustainable development and became closely linked to the sustainability movement (Katsoulakos & Katsoulacos 2007).

Corporate Sustainability draws elements from the more established concepts of sustainable development, CSR, stakeholder theory, and corporate accountability theory (Wilson 2003). This relationship is illustrated in Figure 2.10.

**Figure 2.10– The Evolution of Corporate Sustainability**

Many businesses have since become aware of the need to incorporate sustainable development into their core business activities (Krehmeyer, Lenox & Moriarty 2009). WBCSD offered a business-specific definition by stating sustainable development involves the simultaneous pursuit of economic prosperity, environmental quality and social equity. Companies aiming for sustainability should perform not against a single, financial bottom line but against a ‘triple-bottom-line’ (Marshall & Harry 2005)
encompassing environmental, economic and social dimensions (Hitchcock & Willard 2008, Elkington 1997).

Wilson (2003) identified corporate sustainability as being a new and evolving management approach that differs from pure profit-maximization models by also requiring pursuit of societal goals for corporate growth.

Katsoulakos & Katsoulacos (2007) integrated sustainable development and corporate sustainability as shown in Figure 2.11.

**Figure 2.11– Relating Sustainable Development and Corporate Sustainability**

This highlights:

- harmonisation of corporate strategies with national sustainability strategies;
- harmonisation of sustainability indicators measuring the impact of national and international policies with corporate sustainability criteria;
- establishing feedback loops from corporate sustainability performance and best practices to corporate strategy and to the broader sustainable development goals and action plans at national and international levels.

### 2.3.4 Key Issues in Sustainability

Food and energy security, water scarcity, loss of ‘biodiversity’ and other such global issues impact society and, consequently, companies (Esty & Winston 2006). ‘Global
heating’ is a key challenge for humanity and nature (Isaksson & Steimle 2009) and pressure from both is bearing down on companies (PWC 2010). This is in two forms: first the natural world sets boundaries on business operations and realign markets; second, companies must respond to informed stakeholders with a growing spectrum of concerns (Esty & Winston 2006).

The unprecedented transparency of the Internet means companies face increasing pressure from governments, competitors, and employees to address a wide array of ESG issues, ranging from climate change to obesity to human rights in the supply chain (Bonini, Koller & Mirvis 2009). As an example, citizens’ intolerance of pollution has driven regulation to control emissions and make polluters pay for the harm they cause (Esty & Winston 2006).

According to Oppenheim, Bonini, Bielak, Kehm, & Lacy (2007) the robust economic growth that transformed many developing countries has exacerbated the prospect of shortages of important natural resources and troubling social issues. In parallel, Esty & Winston (2006) comment that while environmental and social issues pose different challenges, they both converge on corporate reputation. Further, globalization relies on business activity to create wealth and alleviate poverty (Lacy, Cooper, Rob & Neuberger 2010).

There are two dimensions to challenges companies face in supporting sustainable development: first, in accelerating their internal corporate sustainability performance; second in actively partnering within networks that drive sustainable development (Katsoulakos & Katsoulacos 2007). Some companies focus on the wrong issues, misunderstand the marketplace, miscalculate customer reactions and fail to integrate environmental thinking fully into the business (Esty & Winston 2006). More commonly companies implement fragmented programmes, or passively join initiatives, often without considering sustainability issues holistically (Mazurkiewicz 2004).

2.3.5 Role of Civil Society and NGOs in Sustainability

Civil Society - grassroots, faith-based organisations and indigenous peoples support groups - and NGOs promote socially responsible activities and engage in philanthropic efforts (Fung, Law & Yau 2010). The World Bank defines NGOs as “private organisations that pursue activities to relieve suffering, promote the interest of the poor, protect the
environment, provide basis social services, or undertake community support” (Gibbs, Fumo & Kuby 1999, p1).

From the perspective of sustainability, NGOs drive change, and verify and validate performance. Some NGOs are respected for their research on environmental and social issues. The Internet and other forms of information technology allow these organisations to instantly coordinate globally and broadcast issues very effectively; so are increasingly recognised and appreciated as vitally important collaborators in partnerships for sustainability (Bell 2002).

Historically business and NGOs have been adversarial and mutually-distrustful, but this relationship has changed dramatically. NGOs now partner with major corporations globally on environmental sustainability efforts (Clark 2010), having accepted that business and trade play a key role in enabling development. Reciprocally, businesses have learned that NGOs can be important partners (Bartsch 2007). Notably, even the traditionally aggressive Environmental Defense Fund and Greenpeace today work openly with, respectively, corporate partners Coca-Cola with McDonald’s (Esty & Winston 2006).

However Clark (2010) also notes that some NGOs prefer to maintain the ‘watchdog’ role. Either way, Esty & Winston (2006) conclude that companies without a strategy for dealing with NGOs runs a growing risk.

2.3.6 Stakeholders

Definition

Stakeholders include shareholders and investors, employees, customers, suppliers, communities and government (Carroll & Buchholtz 2006). Other groups important for a company’s ongoing viability can include business partners, regulatory bodies and local authorities, trade unions, media organisations, NGOs, industry bodies, the academic community, opinion leaders and business/social commentators (KPMG 2005).

Stakeholders are “those who can affect or can be affected by the firm” (Freeman 1984, p.4), or is any group or individual that can affect an organisation’s...objectives, or who is impacted by an organisation in meeting its objectives (Freeman & Reed 1983). Also, any individual or group that can help define value propositions for the organisation (Partridge,
Jackson, Wheeler & Zohar 2005) is also a stakeholder. Botten (2008) emphasised that strategies which are in conflict with the interests of powerful stakeholders are highly likely to fail, whereas if they agree with what is trying to be achieved the chances of success are greater. Failure to address the concerns of stakeholders jeopardises a company’s reputation and bottom-line (PWC 2006).

**Stakeholder Engagement**

Stakeholder engagement is fundamental to business success. Organisations should involve stakeholders, and understand their concerns, in activities and decision-making processes (Partridge, Jackson, Wheeler & Zohar 2005).

Companies increasingly acknowledge that sustainability requires continual engagement of key stakeholders. They focus on partnerships to achieve specific sustainability goals, e.g. reduced energy use, environmental restoration and community-engagement (Marshall & Harry 2005). Constructive stakeholder dialogue can build strong working relationships and trust; and solutions to complex issues are more resilient when they are reached having had stakeholders are involved in the decision-making process (PWC 2006).

Good engagement can guide how addressing social, environmental and economic issues should be integrated into core strategies and business models (IFC 2007). Regular stakeholder engagements allow the company to align financial, social, and environmental policies with the priorities of wider society (CERES 2010). However, given the disparate nature and interests of their stakeholders, companies must strategise how to position themselves for key stakeholder audiences (KPMG 2005).

However, although companies interact with stakeholders everyday, they usually do not understand them or encourage their participation in shaping the future of the company (Katsoulakos & Katsoulacos 2007). Hence companies are learning how to form and manage stakeholder and cross-sector relationships to facilitate their pursuit of sustainability (Marshall & Harry 2005). Stakeholder engagement is more than a defensive response to criticism or imminent conflicts - in some companies it is integrated into systematic risk management (Partridge, Jackson, Wheeler & Zohar 2005). Sustainability reporting provides a means of communication and engagement between a company and its stakeholders (KPMG & G100 2008).
2.4 Corporate Responsibility & Sustainability Reporting

2.4.1 History and Evolution

Corporate responsibility has become closely associated with public reporting. The recent push for greater corporate accountability includes demands for increased corporate transparency. In response, some corporations publish reports that account for the environmental and social impact of their activities (Nolan 2006). The history of Corporate Sustainability stretches back to the first environmental reports appearing in the late 1980s by companies from the chemical industry addressing public relations issues, and small- and-medium enterprises (SMEs) with very advanced environmental management systems (Holme & Watts 2000).

When companies began to prepare environmental reports the approaches and tools were typically for regulatory compliance, such as extolling more efficient process designs (MacDonald & Peters 2003). Sustainability reporting as it is now recognised took shape at the end of the 1990s when companies started to widen their environmental reports to include social issues.

However the value and effectiveness of mandatory corporate reporting of non-financial issues as a means of promoting greater corporate accountability is still questioned (Nolan 2006). The most important drivers for the quality of sustainability reports are the availability of guidelines such as the Global Reporting Initiative (GRI), award schemes (e.g. from ACCA), indexes and rankings.

2.4.2 Trends in Sustainability Reporting

Leaders in corporate sustainability reporting (e.g. Royal Dutch Shell, Bristol-Myers, Norsk Hydro) actively contribute to international reporting initiatives developed by organisations such as the WBCSD and the Coalition for Environmentally Responsible Economies (CERES). GRI also works with many sectors to develop guidelines for reporting on sustainability (MacDonald & Peters 2003).

Sustainability Reporting: A Guide (Australia) by G100 and KPMG (2008) notes that sustainability reporting in the top 500 companies in Australia increased over the past 16 years. However, this remains significantly below a number of other developed countries, including the UK, Japan and Germany. The reasons include differences in regulatory
disclosure and reporting requirements. For example, Japanese legislation specifically requires the disclosure of sustainability related information (G100 & KPMG 2008).

Findings of the Sustainability Reporting Program noted that of 20 reports reviewed, participating companies employed a variety of reporting approaches. The Sustainability Report 2004 refers to them as a hybrid of:

- 'Learning curve' – where a company relates its first steps in integrating environmental, social and economic factors into policies and operations, or in doing environmental and sustainability reporting.
- 'Anecdotal' – are reports full of short stories on different company projects or programs but include few numbers.
- EMS/ISO14001 - these focus on effective environmental management and production systems, often with indicators and targets for improved performance.
- CERES/GRI Guidelines (triple bottom line) - presents environmental, social and economic information generally in separate sections rather than overviews.
- Integrated reports – where progress on EHS and/or sustainability is presented as part of the company's Annual Report.
- Innovative reports - strike a balance between the "me-too" reporting of set frameworks and a report that is customized to the needs and objectives of a particular company.

More recent data emerged from the KPMG International Survey of Corporate Responsibility Reporting 2011 covering 3,400 companies in 34 countries. These included the largest 250 global companies based on the Fortune Global 500 ranking. The findings revealed that the leading companies are:

- combining their CR reporting and financial reporting, often by merging the two into the annual report.
- placing greater focus on developing higher levels of data integrity through better governance, systems and controls that meet the demands of both the company and its stakeholders.
increasingly relying on external assurance providers to validate and certify their CR and integrated reports. This supports the findings of an earlier study that “companies seeking to enhance the credibility of their reports and build their corporate reputation are more likely to have their sustainability reports assured” (Simnett, Vanstraelen & Wai 2009).

2.4.3 Definition

Sustainability reporting describes a company’s reporting on its economic, environmental and social performance. Ideally, a sustainability report provides a balanced, objective and reasonable representation of the sustainability performance of a reporting company - including both positive and negative contributions (G100 & KPMG 2008).

The key features of definitions of sustainability reporting are: a focus on the longer-term impact of corporate practices; and the principle that organisations are answerable to a wide set of stakeholders, not simply shareholders (Nolan 2006).

According to the Dow Jones Sustainability Index (DSJI) (Available: http://www.sustainability-index.com/07_html/sustainability/corpsustainability.html - Accessed 15 March 2011) ‘corporate sustainability is a business approach that creates long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments. Corporate sustainability leaders achieve long-term shareholder value by gearing their strategies and management to harness the market's potential for sustainability products and services while at the same time successfully reducing and avoiding sustainability costs and risks’.

The Sustainability Report (2004) acknowledges that the 1992 Earth Summit in Rio de Janeiro popularized the phrase ‘sustainable development’ even though its definition remained vague. The many definitions and frameworks that now exist share common elements such as:

- Concern for the well-being of future generations;
- Awareness of the multi-dimensional, i.e. economic, environmental and social, impacts of any decision; and,
• The need for balance within the different dimensions across sectors (e.g. mining, manufacturing, transportation), themes (climate change, community cohesion, natural resource management) and scale (local, regional, national, international).

Sustainability means making decisions and operating in a manner that maximizes benefits to the natural environment; communities and their cultures; while remaining financially viable and profitable (Sustainability Report 2004).

2.4.4 Purpose of Sustainability Reporting

A sustainability report differs from an environmental or an ESH (i.e. environmental, safety and health) report by presenting a holistic picture of company activities and providing a balanced view of benefits and trade-offs among social, economic and environmental impacts (MacDonald & Peters 2003).

The Sustainability Reporting Program, an NGO affiliated to the Institute for Research and Innovation in Sustainability, Canada conducted in 2004, a review of approaches to sustainability. The review covered environmental performance; and provided information on economic performance and contributions to society. The findings revealed that none linked all three dimensions and only a few mentioned any relationship between environmental and economic activities. The review concluded that no company was producing a true sustainability report, although several used a sustainability reporting framework.

MacDonald & Peters (2003) recognised that corporate sustainability reports were produced for many reasons and the rationale doing so changed over time. Influencing factors included:

To Demonstrate Transparency & Commitment

Sustainability reporting shows a company’s commitment to managing its environmental, social and economic impacts. It demonstrates transparency and establishes a basis for stakeholder dialogue (G100 & KPMG 2008) by providing information about its challenges and achievements (Lacy, Cooper, Rob & Neuberger 2010).

To Establish Core Corporate Values

Stating that sustainability is a company value reinforces the commitment and provides direction and rationale for a sustainability report (MacDonald & Peters 2003).
To Create Financial Value

Organisations may value other goals but staying in business and prospering is fundamental, hence the objective of a sustainable business is to maximize profit responsibly (DSJI 2011). Sustainability reporting often involves the collection, collation and analysis of data on resource and materials usage, and the assessment of business processes. This can help a company to identify opportunities for cost savings and revenue generation through more efficient use of resources and materials (G100 & KPMG 2008). Eco-efficiency for example, reduces waste and inefficiency in production processes to both save money and protect the environment (MacDonald & Peters 2003).

To Enhance Reputation

Corporate reputation is the aggregate perception of a company by its stakeholders on one or more of the environmental, social and economic dimensions. Sustainability reporting plays an important role in managing stakeholder perceptions, and helps to protect and enhance corporate reputation (Marrewijk 2003).

To Continuously Improve

Internal reporting of sustainability data focuses management attention on corporate sustainability performance. External reporting allows scrutiny both on the integrity of the data and also on continuous improvement of the company across areas of reported performance (Leahy 2007). Establishing and publicly disclosing performance goals and quantified targets drive internal change; and allow the company to align sustainability management efforts with the overall business objectives of profit and competitiveness (G100 & KPMG 2008).

To Achieve Regulatory Compliance

Sustainability reporting using appropriate systems and processes prepares the company for emerging areas of compliance (e.g. greenhouse gas emission data). Reporting can also help a company to influence future regulatory responses if voluntary disclosure frameworks are adequate (G100 & KPMG 2008). The difficulty of reconciling general, sometimes abstract, sustainability principles with practical application and performance compliance is largely trial and error. Hence reports that dwell on policy statements with no concrete results may imply that although the company recognises the challenges, it cannot translate this into tracking or evaluating progress of real change (MacDonald & Peters 2003).
To Strengthen Risk Awareness & Management

Sustainability reporting can be a channel for a company to both demonstrate and communicate its commitment to effectively managing risk in its sustainability performance (G100 & KPMG 2008).

To Encourage Innovation

Sustainability reporting may stimulate leading edge thinking and performance, thereby enabling a company to enhance its competitiveness. For example, better understanding of particular stakeholder concerns, needs and expectations can inform the development of innovative products and services (Nidumolu, Prahalad & Rangaswami 2009).

To Enhance Management Systems & Decision-Making

Sustainability reporting could facilitate more rigorous, robust management systems and decision-making processes to better manage environmental, economic and social risks, opportunities and impacts (Lubber 2010). Good sustainability reporting builds on core values and sets out decision-making principles that are consistent with these values. Sustainability reporting frameworks can provide a broader context for linking priorities rather than viewing them as competing objectives (MacDonald & Peters 2003).

To Raise Awareness, Motivate and Align Staff & Attract Talent

Current and future employees have expectations about corporate behavior when deciding whether to join or remain with an organisation (Lado 2000). Publishing sustainability-related information can help position a company as a preferred employer thereby enhancing employee loyalty, reducing staff turnover and increasing the ability to attract and retain high quality employees (G100 & KPMG 2008).

To Attract Long-Term Capital & Favourable Financing

Many investors now consider sustainability and ESG in investment decision-making. Publishing a sustainability report responds to needs of this stakeholder group and manages how the company is assessed and rated by analysts and the investment community (SAM 2009).

To Maintain a ‘License to Operate’

Natural resource companies are familiar with concept of a social ‘license to operate’. They enjoy more support from communities and stakeholders with open and honest
communication about their management and performance in environmental, social and economic areas (Wilson 2003). More companies are recognizing this link to ongoing business success (Fernando 2009).

For Competitive Positioning & Market Differentiation

Growing awareness of the importance of sustainability and sustainable development issues such as climate change, human rights and workforce diversity (PwC 2006) has seen companies use sustainability performance to differentiate their brands, products and services (G100 & KPMG 2008).

Socially Responsible Investment

The growth in socially responsible investing has led to a substantial increase in the number of companies that publish formal reports on their social and environmental activities (Smith 2003). The findings of a survey conducted in the United States found that ‘one out of every eight dollars’ under professional management involved socially responsible investing (Social Investment Forum 2001). This supports the argument that socially responsible corporate behaviour leads to superior returns for the company and social welfare for all in the longer term.

Investors compare a number of alternatives before making an investment decision. Accordingly, they require information that is presented in a standardised format that can be readily compared with the reports of the other firms that are also being considered as investment targets (KPMG 2006). This provides justification for listing prospectuses and annual reports following identical guidelines (Baums 2004). It also supports the case for mandatory reporting which ‘foster openness and transparency with respect to sustainability issues’ through the use of recognised guidelines which serve to meet investor’s concerns and interests (KPMG 2006, p. 12). Increasingly, countries are moving in the direction of mandatory reporting. A notable example is Denmark that has mandatory requirements for stand-alone environmental reports and annual accounts. South Africa is one of the few developing countries which has taken a combined approach. It encourages reporting on sustainability issues through the integration of mandatory, new generation, international accounting standards into its financial reporting practices, as well as a self-regulatory, triple bottom line reporting approach that makes sustainability reporting mandatory for all listed companies (KPMG 2006).
2.4.5 Sustainability Reports

Sustainability report formats are not prescribed like financial statements; and narratives and content are determined by materiality and compliance to standards (ISOS 2011). An effective format aligns with overall corporate communication to promote engagement with stakeholders by providing relevant information (G100 & KPMG 2008). The reporting process must be planned: many individuals and corporate functions are involved; a range of guidelines and regulations must be considered; and the data and information to collate, aggregate and analyse is complex. Managing expectations of disparate stakeholder groups means:

• Adopting a ‘materiality assessment process’ as a tool to consistently and transparently assess the extent to which specific issues, risks, opportunities and areas of performance should be covered.

• Providing stakeholders with a balanced and representative view – including areas of underperformance or negative stakeholder feedback.

• Testing the robustness of stakeholder engagement processes and claims of completeness, materiality and responsiveness by having independent assurance.

• Defining target audiences to decide what information to include or exclude.

• Providing enough data and information to ensure the report is useful and credible when under scrutiny.

Sustainability reporting should align to financial reporting and other corporate disclosure (FSRI 2010). The chief financial officer (CFO) and other finance professionals should understand the company’s approach to sustainability reporting (Wilson 2003); have confidence in the quality of disclosed information; and be able to clearly articulate to investment analysts and other stakeholders how strategically important and material sustainability performance is managed (G100 & KPMG 2008).

2.4.6 Spheres of Influence & Reporting Boundaries

In order to determine what should be included in or excluded from a sustainability report, a company sets a ‘boundary’. Figure 2.12 illustrates how to set an appropriate boundary so as to provide a reasonable and balanced picture of the reporting company’s sustainability performance (GRI 2005).
The boundary encompasses the entities for which the company is presenting information. It will typically include all operations and entities for which it is likely to be held accountable (GoA 2003). The boundary helps an organisation to understand and communicate which strategic risks and opportunities need to be managed, how much control or influence it has over them, and whose sustainability performance needs to be tracked (GRI 2000-11).

The boundary encompasses the responsibilities of the organisation as perceived by stakeholders and will include the sustainability performance of, for example, supply chain actors (GRI 2000-11). Hence boundary-setting is guided by two concepts: “impact” and “control/influence”, as shown in Figure 2.13.

In the early years of reporting, most organisations measured and reported on impacts based on the traditional financial reporting boundary criteria: i.e. legal ownership and direct control. Today, companies have expanded their reporting boundaries to reflect the “footprint” of their organisation and its activities (DSJI 2011).

Current trends in sustainability reporting are toward shorter, more concise reports, often supported by more detailed online resources. They extend beyond emphasis on compliance and risk management; include value chain and sphere of influence issues; and have distinct reporting elements for different stakeholder groups (G100 & KPMG 2008).
2.4.6.1 Internal and External Stakeholders

A key difference between a sustainability report and any other company report is the role of stakeholders (GRI 2000-11). The definition and attributes of stakeholders were discussed previously in Sub-section 2.3.5.1. Sustainability reports communicate to stakeholders how management is performing in meeting longer-term goals, such as improved financial performance, increased competitive advantage and profit maximization strategies (Finch 2005). Hence effective reports are developed through dialogue with stakeholders (G100 & KPMG 2008).

Internal, or direct, stakeholders include shareholders and employees. External, or indirect, stakeholders include all the individuals and organisations within the company’s sphere of influence, such as customers, suppliers, NGOs, capital markets, financial analysts, government agencies and local communities (Lacy et al. 2010).

A stakeholder matrix, as illustrated in Figure 2.14, can help a company to determine which groups are the most relevant for its reporting.

Stakeholders can be identified and categorized based on their level of influence versus level of interest. Stakeholders exerting a high level of influence and have a high level of interest, i.e. those in Box ‘D’, should be the main target of the company’s reporting efforts.
Although stakeholder dialogues are important, they do not determine the report’s content, which is drawn from the company itself, based on its business objectives and principles. Engaging stakeholders in the process of evolving a report, rather than just validating or seeking feedback on the end product, helps to raise their understanding as well as fulfill the reporter’s transparency efforts. The stakeholder’s voice may also be important when it comes to deciding upon the type of report to be published (GRI 2000-11). Benefits could include increased stakeholder confidence in the report and increased stakeholder trust in the level of organizational commitment to sustainability (Simnett, Vanstraelen & Wai 2007).

Freeman & Reed (1983) took the position that careful attention to stakeholder interests is critical to organisational success, and management must pursue actions that are optimal for a broad swathe of stakeholders, rather than activities which only maximise shareholder interests.

### 2.4.6.2 Supply Chains

A company’s economic, environmental, and social impact is an aggregate of a complex network of entities in its value chain. In this wider perspective, the depth of sustainability reporting will depend on the degree of control, or influence, which a company has on the impacts of their vendors and suppliers in supply chains (GRI 2005). This is illustrated in Figure 2.15.
While operational data may be limited to the boundaries of the reporting organisation, the reporting scope may expand to include significant parts of the whole value chain. This includes narrative reporting on strategies to reduce the upstream and downstream impacts of suppliers, customers and products or services (GRI 2000-2011).

Doing business sustainably involves a spectrum of initiatives – from the pressure of lobby groups to adopt environmentally-friendly regulations, to corporations promoting human rights in supply chains, or educating consumers on reducing carbon emissions (Simnett, Vamstraelen & Wai 2007). The philosophy of sustainability must be integrated into organisational, supply chain and consumer relationships at strategic, management and operational levels (Ligteringen & Zadek 2005).

2.5 Frameworks for Sustainability Reporting

Sustainability reporting demonstrates that a company is striving to meet performance, values and stakeholders' expectations, as articulated in environmental, social and economic terms (Bursa Malaysia [Online]. Available: http://www.bursamalaysia.gov.my - Accessed 17 January 2011).

Since the Eco-Management and Audit Scheme (EMAS) was first created in 1993 in Europe by the European Commission to allow companies to voluntarily participate in an environmental management scheme, several frameworks have evolved to guide how
organisations can manage and disclose performance; and are designed for use by companies of any size, and in any sector or location (GRI 2005). Some frameworks offer a basis for continuous improvement as well as cross-industry comparisons.

Some organisations use a mix of relevant frameworks and adopt or adapt them to suit their context and needs (Leahy 2007). The relevant frameworks used by organisations may be conceptual (e.g. EHS and TBL) or formal (e.g. GRI or CDP). The difference between conceptual and formal is recognised as the format and content of an output as prescribed by a body verifying the same.

2.5.1 The Triple Bottom Line (TBL)

TBL is a method to evaluate company performance by accounting for gains and losses to financial profits, communities where it operates, and impacts on natural resources. It can also present and evaluate corporate sustainability (MacDonald & Peters 2003).

At its narrowest TBL is a framework for measuring and reporting corporate performance against economic, social and environmental parameters (Vanclay 2004); more broadly, TBL comprises a whole set of values, issues and processes that companies use to create economic, social and environmental value while minimizing any harm resulting from their activities (GoA 2003). This approach considers the needs of all stakeholders: shareholders, customers, employees, business partners, governments, local communities and the public (Elkington 1997). The holistic nature of TBL is illustrated in Figure 2.16.

**Figure 2.16 - The Triple Bottom Line**

![Image of the Triple Bottom Line diagram]

*Source: Adapted from Elkington (1997)*
Nolan (2007) agrees that only corporate financial indicators are inadequate and TBL reporting reflects the social and environmental impacts of business activities. TBL reports meaningfully weigh short-term profit-orientated economic factors with more abstract concepts such as human rights and environmental sustainability.

TBL has efficacy and sufficiency in reporting an organisation’s performance in responsibility. By developing and sharing TBL statements, an organisation demonstrates its sensitivity to economic, environmental and social dimensions of societal responsibility (Brown, Dillard & Marshall 2006). TBL is a framework for encouraging institutional concern about sustainability (Vanclay 2004).

**Background to the Triple Bottom Line (TBL)**

John Elkington (1997) coined the term ‘triple bottom line’ on a premise consistent with the ‘ecologically sustainable development’ thinking espoused in the *Bruntland Report* (WCED 1987), the *Rio Declaration* and *Agenda 21* (1992). The term found public currency when *AccountAbility*, a think-tank, began using the term in its work and in the late 1990s. The TBL paradigm is that a corporation’s ultimate success or health is not measured just by the traditional financial bottom line, but must also by its social, ethical and environmental performance (Norman & MacDonald 2003).

However, there is debate on how to actually measure and report TBL performance. Interpretations of terms differ and needs vary within cultural impacts and organisational imperatives (GoA 2003). Most documents advocating TBL introduce the concept for buy-in, but does not define it, or offer a methodology or formula for calculating the new ‘bottom lines’ (Norman & MacDonald 2003).

Some ask if TBL is truly relevant to assessing corporate responsibility and enforcing accountability, particularly of social sustainability (Elkington 2009). While TBL reporting is a step towards increasing awareness of organisations in meeting multiple, competing, simultaneous objectives, Brown, Dillard & Marshall (2005) suggest it inadequately represents organisational sustainability.

**Adoption of TBL Reporting**

Organisations drive change and gain benefits using TBL reporting (GoA 2003):

- Embed sound corporate governance, ethics and a values-driven culture at all levels.
• Improve risk management through better performance monitoring and management systems, leading to better resource-allocation and business planning.

• Formalise and enhance communication with key stakeholders such as the finance sector, suppliers, community and customers, allowing a more proactive approach to addressing future needs and concerns.

• Attract and retain staff by demonstrating focus on values and long-term existence.

• Be able to benchmark performance within and across industries, leading to competitive advantage with customers and suppliers, as well as better access to capital from a finance sector increasingly concerned with non-financial corporate performance.

TBL reporting varies based on needs influenced by an organisation’s understanding of its own social, environmental and economic impacts. Hence many organisations commit to TBL reporting incrementally and progressively (GoA 2003). However, Nolan (2006) noted that TBL reporting would avoid tokenism if regulators made it mandatory for companies and provided specific guidance as to what TBL information should be disclosed and to whom. Adopting GRI has promoted TBL use by companies (Norman & MacDonald 2003).

2.5.2 Reporting-Based Frameworks

2.5.2.1 Global Reporting Initiative (GRI)

GRI is a framework for global sustainability reporting developed through a multi-stakeholder collaboration of organisations. It is a set of guidelines for reporting an organisation’s economic, environmental and social performance (Moffat 2010).

GRI is a non-profit network, headquartered in Amsterdam, of thousands of stakeholders worldwide whom together build and enhance the framework. The framework is free for use and comprises a list of disclosure points and indicators largely applicable to any organisation of whatever size, and operating in any sector or region. As every organisation operates in a unique context, the framework offers guidance for each to determine relevance of the performance indicators. Sustainability reports using the framework allow for comparison of performance between different organisations, or within organisations over time (ISOS 2010). GRI is the world’s most widely used sustainability reporting
The GRI framework, as shown in Figure 2.17, is based on guidelines for protocols and, within them, indicators. They include definitions for each indicator, how to compile the data and information to report against the indicator, its intention and scope, and other necessary technical references (GRI 2011 Online).

The third generation of the Sustainability Reporting Guidelines, known as “G3”, was in development for three years and published in 2006 (GRI 2011 Online) with incremental updates from the previous generation. For example, G3 has new categories for Community, Gender, and Human Rights. These specific areas are to capture how business activities impact local communities; disaggregate gender-data; and narrate the ability of corporations to manage human rights impacts with effective policies to avoid human rights violations (Kropp 2010).

**Figure 2.17 - The GRI (G3) Reporting Framework**

![GRI Reporting Framework](image)

*Source: GRI Sustainability Reporting Guidelines, v3.1 (2000-11)*

**Adopting GRI**

The GRI framework outlines the relevant core content to be reported by all organisations regardless of size, sector, or location. It is the de-facto global standard for sustainability reporting. In 2009 over 1,100 sustainability reports were officially registered under GRI (Moffat 2010). A KPMG Survey of Sustainability Reporting (2008) found that 77% of the world’s 250 largest companies used GRI for reporting; as do 64% of companies listed on
Germany’s DAX 30; 48% of France’s CAC 40; and 22% on the UK’s FTSE 100 (Moffat 2010).

Adopting GRI also enables the reporting company to monitor and track overall supply chain performance, risks and opportunities. These can be disclosed to investors and other stakeholders such that suppliers can be identified separately, and the contribution of each to supply chain performance can be tracked (Isaksson & Steimle 2009).

Strength and Weakness of GRI

The GRI framework is the result of several years of cross-sectoral cooperation to establish a standardized methodology for reporting on sustainability and allows for cross-comparison. It relies on data that is often already collected by companies for other purposes (ISOS 2011).

However, GRI was originally biased towards environmental information - a reflection firstly of the developers’ emphasis on healthy ecosystems, and secondly on the difficulty of tracking social and economic information in a corporate context (MacDonald & Peters 2003).

Significantly, GRI overlooks the connection between management policy and operational implementation that would present a more complete picture of progress on company sustainability (Ligteringen & Zadek 2005). However the GRI framework can be used to benchmark organisational performance with respect to laws, norms, codes, performance standards and voluntary initiatives; demonstrate organisational commitment to sustainability; and compare organisational performance over time (GRI 2005).

Although GRI recognises the importance of integrated indicators that link across company divisions or connect local operations with global conditions, this aspect is not yet well developed. Also, the views and priorities of developed countries have shaped the GRI guidelines. For a truly global perspective the framework requires more input from developing regions (MacDonald & Peters 2003).

Trends - More Companies Are Using GRI for Reporting

Over the last few years, thousands of organisations have publicly reported on their sustainability performance. Indices such as the Dow Jones Sustainability Index and the FTSE4Good have influences over this trend (ISOS 2011). Larger companies pressure suppliers to maintain a ‘license to operate’ by pushing them to weave sustainability into
the fabric of daily business activities (GRI 2011 Online). Large MNCs, such as Wal-Mart, require suppliers to meet certain standards in order to maintain its own reputation (ISOS 2010). In addition to reporting, organisations show progress on sustainability through certificates and standards. ISO9000, ISO14000 and the recent ISO 26000 provide guidance to organizations for more systematic management of environmental and social issues.

The GRI programme is now entering into a new phase with the preparation of the next generation of the GRI Guidelines (G4) which has a proposed release date of May, 2013. The aim is to make the guidelines more robust with strengthened technical definitions; support higher levels of assurance and help companies to produce reports that are trusted by markets and stakeholders (G4 Surveys, http://bit.ly/G4openCalls, accessed on 5 January 2012)

2.5.2.2 Connected Reporting

The Connected Reporting Framework (CRF) delivers a concise report that aligns an organisation's strategic objectives; the industry, market and social operating context; the risks and opportunities associated with that; and its corporate governance, resources and remuneration structures. CRF merges a company’s business strategy with its financial and non-financial performance (CRF 2009 [Online] Accounting for Sustainability, www.sustainabilityatwork.org.uk, - Accessed 22 May 2010), hence a report that employs CRF presents how environmental issues impact strategic decisions and vice-versa. There are five key elements in CRF:

a. An explanation of how sustainability is connected to overall operational strategy, with sustainability targets stated.

b. Reporting of five key environmental indicators: greenhouse gas emissions, energy usage, water use, waste and significant use of other finite resources.

c. Provision of other key sustainability information where the business or operation has material impacts.


e. Noting upstream and downstream sustainability of products and services: i.e. impacts of suppliers, and of products or services used by customers and consumers.

Consequently, CRF:
• Helps identify cost savings against both financial and sustainability performance.
• Increases the level of sustainability awareness with all stakeholders at Board and operational levels, and externally with investors and customers.
• Enhances integration of sustainability factors in decision-making through collaboration between different parts of the business.

It is important to note that CRF is a guide - not a certification standard (Anwar 2010).

2.5.2.3 Integrated Reporting

“Financial information is not sufficient. We have to provide information on sustainability, on social issues and environment, and it has to be done in an integrated way with a financial report.”

Goran Tidstrom
Member of International Integrated Reporting Committee
President of the International Federation of Accountants

An integrated report integrates financial and ESG performance information together (GRI http://www.globalreporting.org/CurrentPriorities/IntegratedReporting/ - Accessed 24 August 2011). As shown in Figure 2.18, by reinforcing these connections, Integrated Reporting can help business to take more sustainable decisions and enable investors and other stakeholders to understand how an organisation is really performing (IIRC http://www.theiirc.org/ - Accessed 12 February 2011).

On August 3, 2010, the International Integrated Reporting Committee (IIRC), was formed in collaboration by the Prince's Accounting for Sustainability Project (‘A4S’), IFAC (International Federation of Accountants) and the Global Reporting Initiative (GRI) (Rodriguez 2010) to create a globally accepted integrated reporting framework which brings together financial and ESG information in a clear, concise, consistent and comparable format (IIRC 2011).

Globally, the IIRC aims to issue an international discussion paper in 2011 and include integrated reporting on the agenda of the G20 meeting in November 2011(Deloitte IAS Plus http://www.iasplus.com/sustain/sustainability.htm - Accessed 15 August 2010). The IIRC brings together a cross section of representatives from civil society and the corporate,
accounting, securities, regulatory, NGO, inter-governmental organisation (IGO) and standard-setting sectors (Deloitte IAS Plus 2011).

The recommendations of the King Report on Governance for South Africa, 2009 (King III) guided the Johannesburg Stock Exchange (JSE) to make it compulsory for all listed companies to produce an integrated report from 1 March 2010, or to explain why it was not doing so (IRC 2011).

**Figure 2.18 – International Integrated Reporting Framework**

Companies that have incorporated integrated reports in their system include world’s largest chemical company (BASF), one of the largest electronics company United Technologies Corporation (UTC), Novo Nordisk, Phillips and American Electric Power (AEP). In 2008, UTC was the first Dow Jones Industrial Average member to produce an integrated report (Azam 2011).

**2.5.2.4 United Nations Global Compact (UNGC)**

Launched in July 2000, the UNGC is a platform to develop, implement and disclose responsible and sustainable corporate policies and practices. CEOs sign to the UNGC by committing to align their business operations and strategies with 10 universal principles
for human rights, labour, environment and anticorruption (UNGC Online http://www.unglobalcompact.org/ - Accessed 17 January 2011) as shown in Figure 2.19; also to act in support of UN global sustainability targets such as the UN MDGs (UNGC 2010). UNGC is global and local; private and public; voluntary yet accountable. Signatory companies are required to issue an annual Communication on Progress (COP). This is a transparent public disclosure to stakeholders accounting for progress made on its commitments to the UNGC. Failure to communicate is announced on the UNGC website and may result in expulsion (UNGC Online 2011).

**Figure 2.19 – The Ten Principles of the United Nations Global Compact**

<table>
<thead>
<tr>
<th>Area</th>
<th>Principle – Businesses should:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Rights</td>
<td>1 Support and respect the protection of internationally proclaimed human rights</td>
</tr>
<tr>
<td></td>
<td>2 Make sure that they are not complicit in human rights abuses</td>
</tr>
<tr>
<td>Labour</td>
<td>3 Uphold freedom of association and recognise the right to collective bargaining</td>
</tr>
<tr>
<td></td>
<td>4 Work to eliminate of all forms of forced and compulsory labour</td>
</tr>
<tr>
<td></td>
<td>5 Work toward effective abolition of child labour</td>
</tr>
<tr>
<td></td>
<td>6 Work to eliminate discrimination in respect of employment and occupation</td>
</tr>
<tr>
<td>Environment</td>
<td>7 Support a precautionary approach to environmental challenges</td>
</tr>
<tr>
<td></td>
<td>8 Undertake initiatives to promote greater environmental responsibility</td>
</tr>
<tr>
<td></td>
<td>9 Encourage the development and diffusion of environmentally friendly technologies</td>
</tr>
<tr>
<td>Anti-Corruption</td>
<td>10 Work against corruption in all its forms, including extortion and bribery</td>
</tr>
</tbody>
</table>


In 2010, the Global Compact released the *Blueprint for Corporate Sustainability Leadership*, as shown in Figure 2.20.

This is a roadmap for action in three areas: (i) embedding sustainability principles in operations; (ii) advancing broader societal goals; and (iii) maximizing engagement in the UNGC. Best practices are identified in each of these dimensions, with 50 criteria for sustainability leadership. The Blueprint is designed to push advanced companies to the next generation of sustainability performance, while guiding those who are still developing (UNGC 2010).
With more than 8,500 signatories in over 135 countries, the UNGC is one of the world’s largest voluntary corporate sustainability initiative (UNGC Online 2011).

2.5.2.5 Carbon Disclosure Project (CDP)

CDP is an independent not-for-profit organisation with the largest database of primary corporate climate change information in the world. Companies use CDP to disclose their greenhouse gas emissions and climate change strategies so they can set reduction targets and make performance improvements. CDP collects data annually on behalf of institutional investors, purchasing organisations and government bodies and made available for use in investment, business and policy decision-making (GRI 2011 Online, http://www.globalreporting.org/Home -Accessed 15 January 2011).

CDP is a global reporting system for addressing climate change, an issue that transcends national boundaries. CDP harmonizes climate change data from organisations around the world and develops international carbon reporting standards (CDP - Carbon Disclosure Project Online, https://www.cdproject.net/ - Accessed 10 Nov 2010).

CDP was launched in 2000 in London, since when the number of disclosing companies has grown tenfold to 2,500 organisations in 60 countries around the world. CDP aims to accelerate unified action on climate change by providing relevant information for decision-
making and action. In 2011, CDP acts on behalf of 534 institutional investors, holding $64 trillion in assets under management, and over 60 purchasing organisations such as Cadbury, PepsiCo and Walmart (CDP Online).

2.5.2.6 Forest Footprint Disclosure (FFD) Project

A ‘forest footprint’ is the total amount of deforestation caused directly or indirectly by an individual, organisation or product. Global demand for agricultural commodities is the primary driver of deforestation, as land is cleared to extract timber and produce beef, soy, palm oil and biofuels. Forest risk commodities are the building blocks of millions of products traded globally and feature in the supply chains of countless companies. FFD is funded by the UK Government Department for International Development (DFID) and several charitable foundations. FFD helps investors identify the valuation risk of the forest footprint of their portfolios, and helps companies understand and manage the forest footprints in their supply chains (Campbell et al 2010).

The objective of FFD is to ensure that forest footprint evaluation is embedded into the working practices of the target sectors by engaging with the financial and corporate communities. FFD enables businesses to move from recognition of their forest footprint to complete management and measurement. International pressure is mounting to stop deforestation, which causes 18% of all greenhouse gas emissions – more than the global transport sector. Loss of ‘ecosystem services’ provided by forests is estimated to be costing the global economy $2-$5 trillion annually (Mardas et al 2009).

The importance of the FFD register and data grew in 2009 when the UN Framework Convention on Climate Change (UNFCCC) in Copenhagen included a mechanism to reduce emissions from deforestation and degradation (REDD) in the successor to the Kyoto Protocol. Other major financing initiatives to combat deforestation, such as the emergency package for tropical forests presented by His Royal Highness (HRH) Prince of Wales, aim to mitigate the financial risks caused by deforestation driven by commercial activities. The three types of risk for companies and investors are:

- Regulatory risk–of new regulations or incentive schemes threaten the supply of commodities and increasing costs.
- Environmental risk- which directly impacts yields from loss of natural forest services and changes in climate and rainfall patterns.
• **Reputation risk**—as products from deforested land are increasingly unacceptable to consumers.

Companies disclosing under FFD declare that they intend to improve management and mitigation of deforestation and avoid loss of the natural ecological services that support business. In combination these two factors are the largest drivers of instability in the financial and corporate sectors over the longer-term. Using FFD allows companies to benchmark themselves and identify how and where deforestation can be reduced in their operations and supply chain. A coherent response to deforestation assists sustainability, reputation and regulatory compliance. This in turn may help in terms of credit access, public and investor perception, investor confidence, and ultimately share value (Campbell et al 2010).

**2.5.3 Management-Based Frameworks**

**2.5.3.1 Environmental, Safety & Health (ESH) - Related**

Companies define their commitment to Environmental, Safety & Health (ESH) to include the health and safety of employees, contractors, customers, distributors, suppliers, neighbors, the Public and protection of the environment (PSC 2010). This specifically relates to the following operational considerations:

- Ensuring a healthy workplace by preventing occupational health hazards.
- Ensuring a safe workplace by preventing injuries, incidents, property damage and promoting excellence in process safety management.
- Minimizing the impact of activities, products and services on the environment by using materials and energy efficiently, minimizing waste, and preventing pollution by reducing emissions to air, discharge to water and to soil to the practical minimum.

The indicators in an ESH framework contain information on crosscutting environmental, health, and safety issues potentially applicable to all industry sectors (IFC 2007), as shown in Figure 2.21.
Management of ESH

The Environmental, Health and Safety Guidelines (IFC 2007) highlight that management of EHS requires organized and hierarchical consideration of corporate and facility-level business processes. These include:

- Identifying EHS project hazards and risks early in a project cycle, e.g. from site selection to process and layout plans for facilities.

- Involving experienced EHS professionals to assess and manage EHS impacts and risks, and handle specialized environmental management functions including the preparation of project or activity-specific plans.

- Understanding the likelihood and magnitude of EHS risks, based on:
  - The nature of the project activities, such as whether the project will generate significant quantities of emissions or effluents, or involve hazardous materials or processes;
  - The potential consequences to workers, communities, or the environment if hazards are not adequately managed, which may depend on the proximity of project activities to people or to the environmental resources on which they rely.
• Prioritizing management strategies to reduce risk to human health and the environment, and focusing on preventing irreversible or significant impacts.

• Favouring strategies that eliminate the causes of hazards at source, e.g. avoiding hazardous materials or processes that may need ESH controls.

• Where impact avoidance is unfeasible, incorporating controls to minimize the possibility and magnitude of undesired consequences, e.g. apply pollution controls to reduce contaminants to workers or environments.

• Preparing workers and communities to respond to accidents, by providing technical and financial resources to effectively and safely control incidents, and restoring workplace and community environments to be safe and healthy.

• Improving EHS performance with a combination of performance monitoring and operational accountability.

2.5.3.2 International Organisation for Standardisation (ISO14000)

ISO standards are implemented by over a million organisations in 175 countries, The ISO14000 family addresses environmental management. It requires organisations to minimize harmful effects on the environment caused by activities and continually improve environmental performance.

ISO 14001:2004 provides a framework for a holistic, strategic approach to an organisation's environmental policy, plans and actions. Consequently, this establishes a common reference for organisations to communicate on environmental management issues between organisations and their customers, regulators, the public and other stakeholders (ISO 2011). However, it is noted that the ability and requirement to communicate on environmental issues is not necessarily equivalent to sustainability reporting.

2.5.3.3 Greenhouse Gas (GHG) Protocol

The GHG Protocol is the most widely used international accounting tool to understand, quantify and manage GHG emissions. The protocol initiative is a multi-stakeholder partnership led by the World Resources Institute (WRI) and the WBCSD. Promoting consistency and transparency in GHG accounting and reporting, it helps companies to prepare a GHG inventory that represents a true and fair account of their emissions.
There are five principles that guide GHG reporting: transparency, accuracy, consistency, relevance and completeness.

The GHG Protocol comprises two separate but linked standards. The first is a *GHG Protocol Corporate Accounting and Reporting Standard*, which provides a step-by-step guide for companies to quantify and report their GHG emissions. The second is a *GHG Protocol Project Quantification Standard* - a guide for quantifying reductions from GHG mitigation projects (GHG Online).

**Setting Organisational Boundaries**

There are two distinct approaches to setting a company's organisational boundaries as shown in Figure 2.22, namely: the *Equity share approach* or the *Control approach*. Under the former, a company or Group accounts for GHG emissions from its operations according to its share of equity in the operation or company. In the capital control approach, a company accounts for 100 percent of the GHG emissions from operations over which it has control. Organisations need to decide on the approach best suited to their business activities and GHG accounting and reporting requirements (GHG Online).

**Figure 2.22 – Setting Organisational Boundaries for GHG Protocol**

*Source: GHG Website (Accessed 2 February 2011)*
**Setting Operational Boundaries**

After setting organisational boundaries, a company establishes operational boundaries. This involves identifying emissions associated with its operations, categorising them as direct and indirect, and choosing the scope of accounting and reporting. There are three scopes (GHG Online):

**Scope 1:** Direct GHG emissions from sources that are owned by the company e.g. company vehicles, company facilities

**Scope 2:** Indirect GHG emissions from the generation of electricity consumed by the company e.g. purchased electricity

**Scope 3:** All other indirect emissions (optional reporting) e.g. contractors' vehicles, outsourced manufacturing

2.5.3.4 **OHSAS 18001**

This is an international occupational health and safety (OH&S) management system specification jointly created by national standards bodies, certification bodies and specialist consultancies (OHSAS 18000 Online - [http://www.ohsas-18001-occupational-health-and-safety.com/](http://www.ohsas-18001-occupational-health-and-safety.com/) - Accessed 17 February 2011). Similar to ISO 14000, OHSAS does not have a reporting requirement, but offers a common and recognised standard reporting format for OHSAS issues which are integral to wider sustainability reporting.

The OHSAS specification can apply to any organisation to establish an OH&S management system to eliminate or minimise risk to employees and others exposed to OH&S risks associated with its activities. It can also be applied when the firm wishes to assure itself of its: (i) conformance with its stated OH&S policy; (ii) demonstrate such conformance to others; (iii) implement, maintain and continually improve an OH&S management system; (iv) make a self-determination and declaration of conformance with this OHSAS specification; and (v) seek certification/registration of its OH&S management system by an external party (OHSAS 18000 Online).

Central to the OHSAS requirements are strong policies and procedures. A full code of practice in an OH&S Manual specifies the required quality and content for process and documentation for workplace safety. It provides guidance in terms of policy and procedure in several areas including: health and safety policies, procedures and forms; risk
assessment forms and instructions; codes of practice; employee guides; and hazard tables (OHSAS 18000 Online).

2.5.3.5 London Benchmarking Group (LBG)

The LBG comprises over 100 companies that benchmark, share best practices and develop measurement tools to measure Corporate Community Investment (CCI). It provides a way to determine a company's contribution to the community, i.e. cash, management costs, time and in-kind donations. The model also captures the outputs and longer-term effect of CCI on society and the business itself (LBG, http://www.lbg-online.net/ - Accessed 17 January 2011). Table 2.2 shows LBG’s definitions to enable evaluation on input, output and impact.

**Table 2.2 - The LBG Model**

<table>
<thead>
<tr>
<th>COMMUNITY ACTIVITY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INPUTS</strong></td>
</tr>
<tr>
<td>Cash</td>
</tr>
<tr>
<td>How much actual total cash contributed by the company?</td>
</tr>
</tbody>
</table>

**COMMUNITY AND BUSINESS IMPACTS**

Assessment of long-term achievements of activity, i.e. how is the world a better place as a result?

*Source: Adapted from LBG Website (Accessed 17 Jan 2011)*

There are three fundamental elements in the LBG model: (1) the categorisation of the voluntary wider community involvement activities of business; (2) the use of a simple input/ output model for assessing the immediate effectiveness of particular projects and the community programme as a whole; and (3) an approach to impact assessment over time. The model divides the voluntary community contributions into three broad categories: charitable gifts, community investments and commercial initiatives in the community. Stakeholders wish to see the impact of a company's community investment. Assessment allows organisations to better understand the business benefits and value to the
community. Organisations will be able to measure their impact and make better assessments of successful programmes and key improvement areas for unsuccessful ones.

An example of how to identify outputs and impacts using the LBG Model (LBG Australia & New Zealand) is shown in Table 2.3.

**Table 2.3 - Example of Application of LBG Model**

<table>
<thead>
<tr>
<th>Output / impact</th>
<th>Category</th>
<th>Sample Measures &amp; Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leverage</td>
<td>-</td>
<td>Government funding</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Other corporate partners</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Employee donations</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Community donations</td>
</tr>
<tr>
<td>Arts &amp; Culture</td>
<td></td>
<td>Number of visitors / viewers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Number of venues work is shown or performed</td>
</tr>
<tr>
<td>Economic</td>
<td></td>
<td>Number of new artists supported</td>
</tr>
<tr>
<td>Development</td>
<td></td>
<td>New businesses started</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Jobs created</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sites cleared / renovated</td>
</tr>
<tr>
<td>Social welfare</td>
<td></td>
<td>Number of young clients counselled / assisted</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Bed places provided</td>
</tr>
<tr>
<td></td>
<td></td>
<td>New volunteers trained / deployed</td>
</tr>
<tr>
<td>Environment</td>
<td></td>
<td>Number of sites renovated</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Trees planted</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Volunteer hours deployed</td>
</tr>
<tr>
<td>Business</td>
<td></td>
<td>Number of employees involved</td>
</tr>
<tr>
<td>Benefits</td>
<td></td>
<td>Uplift in morale / commitment</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Volume and value of PR coverage received</td>
</tr>
<tr>
<td></td>
<td></td>
<td>'Immediate' cost savings achieved</td>
</tr>
</tbody>
</table>

*Source: LBG Australia & New Zealand*

2.5.3.6 ISO26000

ISO 26000 is a guide for ‘social responsibility’ (SR) (ISO 26000 Online. International Organisation for Standardisation - [http://www.iso.org/iso/social_responsibility](http://www.iso.org/iso/social_responsibility) - Accessed 15 February 2011). It distills a globally relevant understanding of what SR is and what organizations should do to operate in a socially responsible way, as shown in Figure 2.23.

Importantly, ISO 26000 provides guidance but does not stipulate requirements. While it is not a certification standard, it calls on organizations to integrate social responsibility throughout its decisions and activities with practices that make social responsibility integral to (ISO 26000 2010)
• its policies, organizational culture, strategies and operations;
• building internal competency for social responsibility;
• undertaking internal and external communication on social responsibility; and
• regularly reviewing these actions and practices related to social responsibility.

**FIGURE 2.23 – ISO26000**

ISO 26000 draws on best practice developed by existing public and private sector SR initiatives. It is consistent with, and complements declarations and conventions by, other relevant organisations. These include the United Nations, the International Labour Organisation (ILO), the UNGC and Organisation for Economic Co-operation and Development (OECD) – in all cases to ensure consistency with these organisations’ guidelines on SR, CSR and Sustainability (ISO 26000 Online).

Importantly, ISO 26000 provides guidance but does not stipulate requirements. It is not a certification standard (ISO 26000 Online).

**2.5.4 Sector-Specific Frameworks**

As industries face sustainability challenges unique to their operating environment, industry-driven associations have also developed industry specific guidelines such as the Forest Stewardship Council (FSC) ([http://www.fsc.org/ - Accessed 24 October 2010](http://www.fsc.org/)) and Malaysian Timber Certification Council (MTCC) ([http://www.mtcc.com.my/ - Accessed 24 October 2010](http://www.mtcc.com.my/)) for forestry. Pertinent other examples are described in Table 2.4.
Every industry faces its own sustainability challenges unique to the nature of its operations. Higher polluting industries such as mining, construction and oil & gas industries are scrutinised by stakeholders for the environmental impact of their operations and their health and safety performance.

**Table 2.4 – Significant Sector-Specific Frameworks**

<table>
<thead>
<tr>
<th>Sector &amp; Framework</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Palm Oil Roundtable On Sustainable Palm Oil (RSPO)</strong></td>
<td>Established to address sustainability issues unique to the palm oil industry and to promote sustainable production and use of palm oil. Principles and Criteria commit to transparency, long-term economic and financial viability, best practices, environmental responsibility and conservation of natural resources and biodiversity. (<a href="http://www.rspo.org/">http://www.rspo.org/</a> - Accessed 22 Oct 2010)</td>
</tr>
<tr>
<td><strong>Oil &amp; Gas (O&amp;G)</strong></td>
<td>Voluntary reference to guide oil &amp; gas companies on sustainability reporting on environmental, health and safety, social and economic performance. Covers the entire value chain from upstream through downstream including chemicals. Performance indicators inherent to O&amp;G activities and sufficiently mature in terms of consistent usage. (<a href="http://www.ipieca.org/">http://www.ipieca.org/</a> - Accessed 23 Oct 2010)</td>
</tr>
<tr>
<td><strong>Cement</strong></td>
<td>Good practice guidelines to enable cement companies to measure and report their performance on environmental, health and safety and social performance. Focused on performance of six critical sustainability issues unique to the cement industry. (<a href="http://www.wbcsdcement.org/">http://www.wbcsdcement.org/</a> - Accessed 22 Oct 2010)</td>
</tr>
<tr>
<td><strong>Financial Services</strong></td>
<td>Manages social and environmental issues in financing. Voluntary set of standards for determining, assessing and managing social and environmental risk in project financing. (<a href="http://www.equator-principles.com/">http://www.equator-principles.com/</a> - Accessed 12 Feb 2011)</td>
</tr>
</tbody>
</table>

*Source: Developed for this Research*

As a result, companies in these industries place a higher emphasis reporting on these indicators. The frameworks they adopt are reflective of the level of importance these performance indicators are to their key stakeholders.

### 2.5.5 Reporting and Assurance Standards

Independent assurance enhances the transparency and credibility of sustainability reporting (G100 & KPMG 2008, AA1000AS 2008). The perceived and actual credibility of the information provided attests to organisational commitment, risk management and
corporate reputation. Assurance is a control mechanism to enhance the verity of disclosed information and facilitate greater user confidence (Simnett, Vanstraelen & Wai 2007).

Professional firms conduct assurance to international and domestic auditing standards, e.g. ISAE3000, the *International Standard on Assurance Engagements* applicable to non-financial assurance (G100 & KPMG 2008).

Assurance provides confidence to stakeholders that the reporting is complete, accurate and balanced (Ligteringen & Zadek 2005). The assurance process is also an independent assessment of how well the report communicates key sustainability issues, how well sustainability strategies are embedded throughout the organisation, and the efficiency and accuracy of key information management systems (Deloitte 2010).

Companies operating in weaker legal environments (Sumiani, Haslinda & Lehman 2006) will be more likely to seek assurance to increase user confidence in the credibility of the information contained in their sustainability reports. Also companies operating in sectors with greater environmental or social impacts manage risks by assuring their sustainability reports (Simnett, Vanstraelen & Wai 2007).

**AA1000**

AccountAbility 1000 (AA1000) is an accounting standard that focuses on the quality of social and ethical accounting, auditing and reporting. This foundation standard was the first that was specifically developed to assure the credibility and quality of sustainability performance and reporting. It resulted from a two-year, worldwide consultation involving hundreds of organisations from the professions, the investment community, non-governmental organisations (NGOs), labour and business. The 2nd edition (2008) drew on growing practice and experience in sustainability assurance (*AA1000AS*, http://www.accountability.org/standards/aa1000as/index.html - Accessed 10 December 2010).

The AA1000 comprises principles and a set of process standards which are underpinned by the principle of accountability to stakeholders. The process standards cover the stages of (i) planning, (ii) accounting, (iii) auditing and reporting, (iv) embedding, (v) stakeholder engagements.

AA1000 AS is also widely used in conjunction with ISAE3000, providing a framework for considering sustainability reports against the principles of materiality, completeness and
responsiveness (*Assurance Standards* [Online]. Corporate Register. Available: [http://www.corporateregister.com/content/DefinitionAA1000AS03.pdf](http://www.corporateregister.com/content/DefinitionAA1000AS03.pdf)). Sustainability assurance provides (AA1000AS 2008): a platform to align non-financial aspects of sustainability with financial reporting and assurance; a way of holding an organisation to account for its management, performance and reporting on sustainability issues; and means to capture and place in context a wide range of other verification and certification schemes that deal with specific dimensions of sustainability.

### 2.5.6 Other Approaches

The earlier subsection examined the management-based frameworks, sector specific frameworks as well as reporting and assurance standards. Related to these are the Dow Jones Sustainability Index, the Life Cycle Assessment and the Social Innovation and these merit a description.

#### 2.5.6.1 Dow Jones Sustainability Index

As discussed in Section 2.5.1, the TBL represents the notion “that a corporation’s ultimate success can and should be measured not just by the traditional financial bottom line.” (Daniel 2005, p. 1) The Dow Jones Sustainability Index (DSJI), first published in 1999 tracks the performance of the companies in the Dow Jones Global Index that lead the field in terms of corporate sustainability. Investors are guided by signals that indicate a firm’s commitment to socially responsible practices. (Knoepfel 2001) Several investment funds have adopted the DSJI as a measure of a firm’s commitment to CSR practices and sustainability. The Dow conducts an annual review of firms eligible for inclusion in one of the DJSI indices. The review is based on a thorough analysis of corporate economic, environmental and social performance, assessing issues such as corporate governance, risk management, branding, climate change mitigation, supply chain standards and labor practices. (Detre & Gunderson 2011)

#### 2.5.6.2 Life Cycle Assessment (LCA)

The LCA, also referred to as the Life Cycle Analysis, is a tool for examining the total environmental impact of a product through every step of its life (Bishop 2000). It is an objective procedure used to evaluate the environmental impacts associated with a product’s entire life cycle, through the quantitative determination of all exchange flows
between the product-system and the ecosphere in all the transformation processes involved, from the procurement of materials (these may be recycled instead of new) to their end for this product (i.e. disposal or recycling into a new product) (Giudice et al. 2006).

2.5.6.3 Social Innovation

Literature that brings together CSR and innovation have emerged gradually over the past decade. They can be categorized into two schools of thought. The first relates to the term social innovation or product innovation with a social purpose. The contributions of the second group of authorities coalesced around the theme of eco-innovation which led to the discipline of clean-technology venturing (Hockerts & Morsing 2008).

2.6 Malaysia & Government-Linked Companies

This sub-section sets the country context for this study (Perry 2001). It presents an overview of the Malaysian economy, relates why GLCs emerged and how they support national development objectives. It then discusses the New Economic Model (GoM 2010, NEM), launched in early 2010, a development policy which emphasizes on ‘sustainable development’ to drive Malaysia to become an advanced nation by 2020 (GoM 2010, NEAC).

Malaysia located in South East Asia, covers a land area of approximately 330,252 square kilometers. The principal ethnic group is Malay, accounting for 65% of the population in 2009, followed by minority Chinese and Indians groups (GoM 2010, Dept of Statistics). Malaysia is a constitutional monarchy and parliamentary democracy.

An economically middle-income country, Malaysia has a diversified export sector led mainly by manufacturing and is among the top 20 trading nations in the world (GoM 2010, 10th MP). Foreign direct investments (FDIs) by MNCs from more than 40 countries have contributed to aggressive growth targets (Lajuni, Ooi, & Fahmi 2008).

GLCs play vital roles in the Malaysian economy (Yakcop 2004) by accounting for 5% of the workforce and being the principal service providers to the nation in key strategic areas, including services and agriculture (The Edge, 26 February 2009).
Malaysian GLCs were created and shaped by Malaysia’s economic development history over four post-Independence stages, as shown in Figure 2.24, and these are discussed below.

**Figure 2.24 - Malaysia Development History 1957-2010**

![Diagram showing development stages and policies](source: Adapted from MOSTI (2006))

2.6.1.1 Post Independence (1957-1970)

When Malaysia (at that time Malaya) achieved independence in 1957 almost two thirds of the population of 7.2 million were engaged in subsistence agriculture. The export sector comprising rubber, palm oil and tin ore were largely owned by British trading houses and concentrated on the West Coast of Peninsular Malaysia. They accounted for 90% of gross domestic product (GDP) and 40% of employment (Goh 2009).

The Chinese business community accounted for almost 30% of the economic wealth through their involvement in tin mining, retail and the wholesale trades (Andaya & Andaya 1982). The majority of Malays were subsistence farmers and living in poverty (Goh 1962). Thus the development thrust was for rural development with emphasis on rural industries, building of new roads, agricultural diversification, education access, healthcare, rural electrification, and potable water supply (GoM 1970, OPP).

The growth of ‘economic nationalism’ pressured the Government into introducing enabling policies for Malay ‘Bumiputeras’, or ‘sons of the earth’, to play a lead role in the cash economy (Abang 2009). This led to the formation of 23 public enterprises (PEs) in 1960 (Affaandi 1981, cited in Lim & Canak 2008). They were parastatal entities wholly or mainly financed by, and owned or controlled by, the Federal or State Government (Ramananadham 1984). The early PEs were the Federal Land Development Authority.
(FELDA), the Federal Agricultural Marketing Authority (FAMA) and the Rural Industrial Development Authority (RIDA) now known as the Majlis Amanah Rakyat (MARA) which provided basic amenities, infrastructure, agriculture and industrial development (Salleh & Osman Rani 1990).

Although the country registered high GNP growth rates averaging 8% in the period 1958-1968 there remained wide income and wealth gaps between the urban economy, dominated by the Chinese, and the Malay rural economy. Further there were great disparities in occupational status and wealth ownership patterns. The resulting social and political tensions led to racial riots in 1969 and necessitated the introduction of the New Economic Policy (Jomo 1991).


The New Economic Policy (NEP) was an affirmative policy aimed at bridging the income, employment, and wealth gaps between the economically-disadvantaged Bumiputeras and the other ethnic groups (Salleh & Meyanathan 1993). As shown in Table 2.5, the NEP had two prongs.

<table>
<thead>
<tr>
<th>TABLE 2.5 - THE NEW ECONOMIC POLICY</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The New Economic Policy adopted a 2-pronged strategy</strong></td>
</tr>
<tr>
<td><strong>First</strong></td>
</tr>
<tr>
<td>To reduce and eventually eradicate poverty irrespective of race by raising income levels and increasing employment opportunities</td>
</tr>
<tr>
<td><strong>Second</strong></td>
</tr>
<tr>
<td>To restructure Malaysian society to correct economic imbalances so as to eventually eliminate the identification of race with economic function.</td>
</tr>
</tbody>
</table>

*Source: Government of Malaysia, 3rd Malaysia Plan, 1976*

The first prong of eradicating poverty was required by two-thirds of the population, in particular Bumiputera rural dwellers, living below the poverty line. The second, to increase Bumiputera ownership of economic assets to 30% by 1990, was justified as distributive justice because although they comprised almost 50% of the population, they owned only 2.4% of national economic assets in 1970 (Dixon 1991).

In accordance with the NEP to restructure corporate ownership new statutory bodies and GLCs were formed (Jomo 1995). The Government also created government-linked
investment companies (GLICs) with budgetary allocations for purchasing foreign-owned shares. These included Permodalan Nasional Berhad (PNB), or National Fund Management, to enhance the economic wealth of the Bumiputera community through share ownership in the corporate sector and participation in the creation and management of wealth. Several foreign-owned firms operating in Malaysia were acquired through transactions on the London Stock Exchange and these included the Malaysian Mining Corporation as well as the large British-owned plantation firms Harrisons & Crossfields, Sime Darby and Guthrie (Gomez & Jomo 1999).

Malaysia benefitted from sharp increases in oil prices in the mid-70s. Greater Government revenues accelerated the creation of PEs at the Federal and State Government level. Existing PEs were also strengthened and given wider terms of reference to achieve the goals of the NEP (Jomo 1995). They were seen as catalysts for the development of a Bumiputera commercial and industrial community by entering into vendor programmes with small Bumiputera enterprises for the supply of inputs (The Star, 20 April 2009).

A review of the NEP undertaken in 1981 revealed that the Bumiputeras accounted for less than 15% of the economic assets of the country. Furthermore PEs were incurring losses and becoming administrative and financial burdens to the Government due to mismanagement, economic inefficiencies and high delivery costs (Jomo 1995). These shortcomings were also attributable to challenges that state-controlled enterprises typically face in having to operate commercially yet being required to discharge social obligations (Thomas, Strickland & Gamble 2007).

The early 1980s were characterized by monetarism as espoused by Milton Friedman of the Chicago School. This thinking advocated a ‘laissez-faire’ approach eschewing government interference in the economy. Aligned to this thinking the then Prime Minister, Mahathir Mohamed, advocated the privatization of PEs to reduce the Government’s financial and administrative burden as well as to improve efficiency and productivity through competition (Ramamuruti 1996).

2.6.1.3 The Privatisation Policy

The resulting Privatisation Policy (PP), introduced in 1983 reduced the size and presence of the public sector in the economy (Sawal 1996) as the Government divested several PEs in the key sectors of utilities, power, transportation and telecommunications (Bruton, Fried
& Hisrich 1997). These led to the creation of Telekom Malaysia (the former Telecoms Department), Tenaga Nasional Berhad (the former National Electricity Board) as well as the Malaysian Airline System (now Malaysia Airlines) as corporatized entities.

Since the PP required a minimum of 30% of equity in all privatized entities to be held by Bumiputeras (ISIS 2007), it became a key vehicle for achieving the NEP target of 30% Bumiputera ownership of wealth (Milne 1986). Between 1983-2000, 230 government enterprises were privatized and several emerged as Bumiputera-controlled private corporate entities or GLCs (GoM 2009, EPU). As shown in Table 2.6, Bumiputera equity increased to RM8.574 billion by the year 2000 or an increase to 25.6% as compared to the 14% by the non-Bumiputeras (GoM 2001, 8th MP).

**Table 2.6 - Equity Ownership of Privatized Entities**

<table>
<thead>
<tr>
<th>Upon Privatization</th>
<th>December 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Par Value (RM Million)</td>
</tr>
<tr>
<td>Bumiputera</td>
<td>4,146.6</td>
</tr>
<tr>
<td>Non-Bumiputera</td>
<td>1,856.4</td>
</tr>
<tr>
<td>Government</td>
<td>11,989.0</td>
</tr>
<tr>
<td>Foreign</td>
<td>1,130.9</td>
</tr>
<tr>
<td>TOTAL</td>
<td>19,122.9</td>
</tr>
</tbody>
</table>

Source: Government of Malaysia, 8th Malaysia Plan, 2001

2.6.1.4 The National Development Policy 1991 - 2000

The National Development Policy (NDP) replaced the NEP in 1991. The key objective was to create an economically just society with inter-ethnic parity (Gomez & Jomo 1999) through balanced industrial and manufacturing development (GoM 1991, 6th MP). The emphasis was on attracting FDI (Har, Teo & Yee 2007) with an amended Promotion of Investment Act (1986) to encourage capital and technology intensive industries for all investors regardless of nationality. Ownership rights were also relaxed for certain industries including high technology industries as well as specific physical development areas such as the Multimedia Super-Corridor (GoM 1991, 2nd OPP).

The Asian Economic Crisis in 1997 caused a negative growth of -7.4% in 1998 as compared to an average growth rate of 8% between 1986 and 1996 (Bello 1997).
Corporate non-performing loans (NPLs) rose sharply and GLCs suffered heavy losses and liquidity problems (BNM 1998). The Government was pressured to strengthen GLCs’ economic and financial position in view of their dominant position in the Malaysian economy (Beh 2007, Vietor 2007). The Government formulated a National Economic Recovery Plan to rescue corporate bodies, in particular GLCs, to stem adverse consequences on the economy. Stability was restored and the economy recovered with a real GDP growth rate of 8.3% in 2000 (GoM MOF 2009).

2.6.1.5 The National Vision Policy 2001-2010

This Policy detailed in the Eighth Malaysia Plan 2000-2005, was designed to allow Malaysia to leverage on the ‘Knowledge Era’ to remain competitive in a rapidly globalizing world. The K-Economy Master Plan (GoM 2002) was to transform the economy into becoming ‘knowledge-based’ with the capacity for innovation (GoM 2004, EPU). The strategic thrusts, as shown in Figure 2.25, were to develop human capital, research, technology and knowledge to enhance global competitiveness and accelerate economic growth.

**Figure 2.25 - Strategic Directions for the K-Economy**

![Figure 2.25 - Strategic Directions for the K-Economy](Source: Adapted from Government of Malaysia, K-Economy Plan 2002)
GLCs were expected to take advantage of the new markets emerging from the liberalization of world trade (Salleh & Ndubsi 2006). However, greater liberalization also pressured GLCs to gain competitive advantage in international markets while remaining dominant domestically (GOM 2005, PCG). This realization spurred the GLC Transformation Programme (GTP) in 2004 with 10 specific initiatives detailed in various books coded by colors (Yakcop 2004) to drive shareholder wealth creation and improve transparency and accountability in GLCs (Doraisami 2005, GOM 2005, PCG). The Silver Book, discussed in depth in sub-section 2.7.1, provided guidelines for GLCs to become responsible corporate citizens by creating value through social responsibility (GOM 2005, PCG).

2.6.1.6 The New Economic Model - Towards 2020

The Malaysian stock market index dropped 40% during the global financial crisis of 2008. The combined market value of the biggest 20 GLCs dropped from RM276 billion in 2007 to RM159 billion in November 2008 (Abang 2009), eliminating all gains in their equity value since May 2004 (The Edge, 7 December 2008). GDP growth slowed by 5% due to declining domestic demand and export revenues, as well as rising unemployment levels. In response the Government introduced two Stimulus Packages totaling RM67 billion. The GLCs were key to making the stimulus effective by generating new investment, creating new employment opportunities and training 100,000 retrenched workers (The Star, 11 March 2009). Although Malaysia emerged from recession in early 2009 and projected 7.2% GDP growth in 2010 (GoM 2011) it still faced the challenge of reducing heavy subsidies of essential items including sugar, cooking oil, diesel and gasoline amounting to RM72 billion in 2009. These also contributed to the large public debt burden of 52% of GDP in the same year (The STAR, 9 May 2010).

The New Economic Model (NEM) was introduced in 2010 to re-energize the economy, create a high-income society and achieve ‘developed country’ status by 2020. The three goals of the NEM are ‘high-income’, ‘inclusiveness’ and ‘sustainability’, as shown in Figure 2.26.
The NEM adopts a holistic approach to achieve the overriding objective of improving the quality of life of Malaysia society using eight strategic initiatives. Of these, two are of particular relevance to this research:

First, the NEM gives emphasis to ‘sustainable economic development’ as growth to date has incurred a high environmental cost. It calls for investment and policy decisions that take full account of the longer-term impact on society, the economy and the environment. The NEM promotes a sustainable growth that meets societal needs without compromising future generations through the effective stewardship and reservation of the natural environment (GoM 2010).

Second, the NEM proposes market reform to stimulate private investment by promoting competition across and within sectors. The NEM suggests that the Government reduce its participation in the economy by divesting its shares in some GLCs on the grounds that a dominant GLC presence in certain industries may discourage private investment (The STAR, 10 May 2010).

2.6.2 Government-Linked Companies (GLCs)

The government has three critical roles in managing an economy: being a developer and provider of public goods, a regulator, and also an investor seeking profits for the state
The first role of Government is to develop and provide socio-economic public goods. These include law and order and infrastructure or services that are uninteresting to wholly profit-orientated private firms. The second role sees the Government as a regulator to provide a level and conducive playing field for all economic actors. Thirdly, Government can own and operate the production of economic goods and services as an investor in state-owned enterprises or government-linked companies (GLCs). All three are valid and important objectives for the Government to create an enabling environment for and foster economic growth (GoM2004, MoF). The Singapore Government provided strong institutional support particularly to, and through, its GLCs (Sim & Pandian 2003).

Government-linked investment companies (GLICs) such as Temasek (of Singapore) and Khazanah (of Malaysia) make strategic investments on behalf of their governments in new industries and markets, expanding to new sectors and countries beyond their territorial boundaries (Wicaksono 2009).

A GLC is a corporate entity in which the government owns a stake using a holding company that may be private or listed on a stock exchange. The corporate entity is classified as a GLC either if the Government has a controlling interest of more than 50%, or if the Government is simply a shareholder (Siwar & Harizan 2007).

Prior to the 1990s some governments intervened actively in corporate management and other areas, for industry to be engines powering the country toward modernization and industrialization. This model of state involvement has since diminished but there are increasing instances of companies with governments as large shareholders who now intervene by stressing the importance of efficiency and profitability in GLCs managed by professional managers with experience from the private sector (Anwar & Sam 2006). Further, governments have advanced privatization to fuel the trend for energetic GLCs to be at the heart of the national economy. Governments also drive GLCs to become influential global players (Tselichtchev 2007).

Asian governments often play a direct and active role in the internationalisation of national firms by opening-up business opportunities overseas and setting-up institutional frameworks (e.g. growth triangles, industrial parks in foreign countries) for nation firms to tap (Sim & Pandian 2003). These companies strengthen their position through initial
public offerings (IPO) of their stock, raising capital from international capital markets, expanding their businesses overseas and acquiring foreign companies (Tselichtchev 2007). Although GLCs are managed as private sector enterprises obvious differences remain - for example, they are infused with public funds and have no real fear of bankruptcy; and while they can acquire other companies, they themselves cannot be acquired. Accordingly, these companies are not equal to normal private sector enterprises as far as market competition is concerned (Tselichtchev 2007).

2.6.2.1 The Economic and Social Significance of GLCs

GLCs are a vital component of the nation’s economy with significant presence in strategic sectors such as telecommunications, energy, transportation and finance (Mohamed 2004). They have a catalytic role in boosting the nation’s economy (GoM MOF 2004) and huge market capitalisation. In the context of Malaysian development, various government economic and social policies were implemented through GLCs (GoN 2011).

Government investment into GLCs concentrate on building shareholder value, this means profitably managing state enterprises, providing an equitable playing field and protecting public interest; as well as getting the best socio-economic development function ‘bang for the buck’ (GoM MOF 2004).

GLCs, as a group, spearhead private sector-led growth with considerable resources and capabilities to significantly impact the economy by generating more employment and income as well as improving quality of life (Siwar & Harizan 2007). While the Government facilitates and creates an enabling business environment, such as offering fiscal and monetary incentives, including the availability of funds and grants, GLCs and the private sector take the lead in translating them into business opportunities (GoM MOF 2004).

Financial muscle and management expertise also allows GLCs to invest and take risk in building the capacity and capability of smaller, newer companies as well as uptake of commercialization of R&D findings (Mohamed 2004).

2.6.2.2 Factors Determining GLC Performance

GLCs are a major engine of the economy, underpin the stock market, and are significant providers of essential services and employment (Khazanah 2005). Shareholder’s objectives
are translated into financial goals such as profitability (Botten 2008). Good corporate governance defines the company’s value or performance and is a way to align the actions of management with the interests of shareholders. Corporate governance not only mitigates risk but is also the strategic means to boost value (Wicaksono 2009).

Policy frameworks today are a mix of regulations, economic instruments and communication strategies which significantly influence corporate environmental and social impacts. The recognition of CSR within a company’s policy, strategy and programmes are commitments toward society and environment (Siwar & Harizan 2007). As GLCs expand abroad the ability to act responsibly in global markets will be a determinant of success or failure (GoM 2010, NEAC).

A key success factor for GLCs is CSR to meet stakeholder expectations (Wicaksono 2009). Organisations ensure value for stockholders by evaluating projects to produce both social and economic benefits (Ahmad 2007).

2.6.2.3 The Changing Role of GLCs

The larger listed Malaysian GLCs are aggressively venturing into overseas markets companies and being supported by Government policies and incentives (Badawi 2004, Abang 2009). Some have become multinationals in accordance with expectations to grow overseas by becoming stakeholders in companies and acquiring assets both in developing countries and advanced nations (Tselichtchev 2007).

Consumers and investors in the international arena demand that corporations should meet high standards of social and environmental care (Hohnen 2007). Malaysian GLCs operating internationally are therefore expected to report on the sustainability of their operations and demonstrate that their products and services are produced in a sustainable manner (GOM 2005, PCG). As with other companies operating internationally, GLCs are expected to explicitly present all aspects of their performance, i.e. not just financial results, but also social and environmental performance. To cope with this many organisations are now engaged in serious efforts to define and integrate CSR into all aspects of their businesses (Lu & Castka 2009) and GLCs are compelled to also do so.

The awareness and practice of Corporate Social Responsibility (CSR) has grown exponentially in the last decade and is becoming a global trend (Lu & Castka 2009). As national frontrunners GLCs lead in promoting socially-responsible business practices in
their own countries as examples for other companies. However to be as competitive as international peers in developed markets GLCs must have clarity, conviction and commitment in driving CSR strategy, by integrating responsibility into business strategies, organisational culture and behaviour (Anwar 2006).

Good CSR practices promote business sustainability by enabling companies to attract better quality investors and to better meet the challenges posed by increased competition for markets and capital (Yusof 2007). Further the enhanced reputation, customer loyalty and talent retention generated by good CSR practices contribute to enhancing competitiveness (GoM 2010, NEAC).

Malaysian GLCs are cognizant of this trend. In 2008 several GLCs signed-up to the United Nations Global Compact, a global corporate citizenship programme that promotes corporate responsibility by allowing companies to commit to universal principles on human and labour rights, environmental sustainability and anti-corruption in their operations and strategies (UNGC 2010).

2.6.2.4 Malaysian GLCs & National Economic Development

GLCs play an important role in the development of the Malaysian economy (Lau & Tong 2008). They are companies with a primary commercial objective and in which the Malaysian Government has a direct controlling interest. The Government can appoint Directors to the Board, senior management, and make major decisions either directly or through Government-Linked Investment Companies (GLICs) (GoM2005, PCG, Khazanah 2010).

According to Khazanah (2010) GLCs and their controlling shareholders, GLICs, form a significant part of the economic structure of the nation. In 2010 the largest thirty-three listed GLCs had a collective market capitalisation of RM235.5 billion, or 49% of the Kuala Lumpur Composite Index (KLCI), yet equate to only 4% of total listed companies on Bursa Malaysia. Together these companies employ a workforce of more than 300,000 (GoM 2009, PGC, Khazanah 2010).

GLCs play key roles in growing and shaping the economy, influencing the structure of industries in Malaysia and undertaking strategic investments that enhance the long-term competitiveness of the nation (GOM 2009, PCG). They provide ‘mission-critical’ services (Badawi 2007) in telecommunications, energy, transportation, financial services and oil &
gas (GOM 2009, PCG), and catalyse developments in strategic sectors and growth corridors (Badawi 2005, GOM 2009, PCG).

Hence GLCs serve a pivotal role in the operation of every commercial concern in Malaysia and contribute significantly towards improving the quality of life for ordinary Malaysians. Hence, improving the performance of GLCs has a far-reaching effect on the economy as a whole and the well-being of all Malaysians (Badawi 2004).

Beyond their role in executing Government policies and initiatives and in building capabilities and knowledge in key sectors, GLCs and GLICs are increasingly more active in the gradual internationalisation of Malaysian economic interests and increased global economic liberalisation (GOM 2005, PCG). In the context of Malaysian development, various government economic and social policies were implemented through GLCs (Ahmad & Kitchen 2008).

In the Government’s drive toward Vision 2020 GLCs, as leaders of the corporate sector, are called on to develop new growth prospects, role-model good stewardship and governance, and move the corporate sector to a higher level of performance and merit (GOM 2009, PCG). Vision 2020 requires Malaysia to be a comprehensively developed country that is fully developed in all dimensions: economically, politically, socially, spiritually, psychologically and culturally; with a confident Malaysian society infused by strong moral and ethical values, living in a society that is democratic, liberal and tolerant, caring, economically just and equitable, progressive and prosperous (GOM 2009, PCG).

To facilitate the transformation of GLCs to meet the challenging objective of Vision 2020 the Putrajaya Committee on GLC High Performance (PCG) was established in January 2005. PCG comprises five GLICs - namely Employees Provident Fund, Lembaga Tabung Haji, Lembaga Tabung Angkatan Tentera, Permodalan Nasional Berhad and Khazanah Nasional Berhad - as well as representatives from the Ministry of Finance (Inc.) and the Prime Minister’s Office.

2.6.2.5 International Strategies of Malaysian GLCs

Abdullah Ahmad Badawi, the former Prime Minister of Malaysia, said “GLCs are not just anchors for the stock market or inputs to the Malaysian domestic economy. With their experience, assets and government-to-government linkages, GLCs are strategically placed to take advantage of cross-border opportunities. With the right focus and effort, GLCs can
be global players in their own fields, capable of exporting and branding their products, services and expertise in the spirit of making Malaysia a 'true trading nation'. In short, GLCs are not only stewards of the nation's wealth; they can also be trailblazers on the world economic stage.” (Badawi 2004)

A characteristic feature of Asian economic policy, including developing countries like Malaysia, is the active support given by governments to homegrown multinationals in becoming globally competitive (Ahmad & Kitchen 2008). As major shareholders of GLCs, the Government focuses on providing the support necessary to maximize the value of its investments. The Government capitalising on links with foreign GLCs and technology partners to assist GLCs in identifying or forming investment partnerships (Razak, Ahmad & Aliahmed 2008) is exemplary of this approach.

Some GLCs have shown that they are up to the challenge. PETRONAS is wholly-owned by the Malaysian Government and is involved in a wide spectrum of oil and gas activities. The company is ranked among the FORTUNE Global 500® largest corporations in the world. PETRONAS has four subsidiaries listed on the Bursa Malaysia and has ventured globally into more than 30 countries worldwide. In 2009 PETRONAS generated 40% of total revenues from overseas ventures (Petronas AR 2009).

Sime Darby Berhad, a diversified conglomerate with divisions in plantations, property, industrial equipment, motors, healthcare, energy and utilities, is another example of a Government-controlled company and a pioneering Malaysian MNC. It has a significant presence in over 20 countries, employs over 120,000 employees and generated over 70% of its operating profit outside of Malaysia in 2009 (Sime Darby AR 2010).

Having an appropriate strategy to enter and expand into a foreign market is critical (Terpstra & Sarathy, 1991 and Baek 2003) and Malaysian GLCs used joint ventures (JVs) with host governments and local partners in the host country as the preferred entry strategy for international operations. Using JVs reduced business risk on government regulations, knowledge of market opportunities and accessibility, and acquisition of new technologies (Aggarwal 1984). Entering markets in close partnership with host governments and local entrepreneurs helped financing, marketing, and networking (Ahmad & Kitchen 2008).

The growth and rapid internationalisation of Malaysian GLCs exemplify how East Asian governments intervene to create and sustain a competitive advantage(Kitchen & Ahmad 2007). In the case of Malaysia GLCs, internationalisation is a direct response to the
Government’s call for expansion; hence GLCs’ corporate strategy is also part of national policy. Also, because GLCs have strategic value and status, Government policy and support converged to avoid any failure that might negatively impact the Malaysian economy (Kitchen & Ahmad 2007, Ahmad & Kitchen 2008).

2.6.2.6 Strategic Challenges for Malaysian GLCs

Internationalisation is a critical factor for firms to grow and develop economically and technologically. Hashim, Ahmad and Zakaria (2010) note that Malaysian GLCs face many challenges in foreign countries. These include gaining trust and acceptance of host countries and potential partners, also convincing the international community of Malaysian capabilities and capacities Aris (2010).

The key challenge that Malaysian GLCs currently face is a highly competitive international business environment and the rapid liberalization of world trade (Belderbos & Sleuwaegen 2005). International consumers and investors demand that international corporations meet high standards of social and environmental care (Hohnen 2007). Stakeholders are increasingly interested in understanding the approach and performance of companies in managing the sustainability - i.e. environmental, social and economic - aspects of their activities, including the potential for value creation (KPMG 2002). Further, the stakeholders affecting and monitoring the environmental strategy of MNCs is growing in number, diversity and power (ACCA 2005).

Most investment analysts now recognise that numerous business drivers upstream of a company’s profit and loss statement - including ESG factors - contribute to long-term financial performance and investment returns (KPMG & G100 2008).

In 2003 ten global banks including Citigroup, Credit Suisse, HSBC and ABN AMRO agreed to the ‘Equator Principles’, today, in 2011 there are 72 (Equator Principles http://www.equator-principles.com/ - Accessed 12 February 2011). This standard governs how banks make decisions about project finance. Developers of large-scale projects seeking finance must demonstrate that risks arising from environmental and social impacts are mitigated through stakeholder consultation and impact assessment studies (Esty & Winston 2006).

Supply chains are also under pressure, particularly where they culminate in large customer-facing brands. The Supply Chain Leadership Coalition comprises some of the
world’s largest consumer-product companies. These, which include Pepsi, P&G, Hewlett-Packard (HP), Nestle, L’Oreal, Cadbury-Schweppes and Unilever now seek from suppliers sustainability performance data (Esty & Winston 2006). Hence big customers of Malaysian GLCs are increasingly demanding information on what is in everything, where it comes from, and how it is produced. Sime Darby, the pioneering Malaysian GLC highlighted previously, addressed this challenge by being a founding member of the Roundtable on Sustainable Palm Oil (RSPO) in 2003, a multistakeholder platform including NGOs and consumer-product companies, that specifically addresses environmental and social issues in the palm oil supply chain (RSPO Online, http://www.rspo.org/ - Accessed 22 October 2010).

Every company with operations across many countries faces the risk of being implicated for pollution or ecological harm. For example, the plans for a new coal plant in Australia were scuttled by a lawsuit focused on greenhouse gas emissions and the facility’s contribution to global warming. Another pertinent example is a class action lawsuit filed by victims of Hurricane Katrina against 10 oil and gas companies for destroying wetlands that might have reduced the severity of the floods (Esty & Wilson 2006). Even companies that fully comply with the law and are supported by the Courts may be vulnerable. The reputation of IOI, a major Malaysian palm oil company, suffered internationally in a case of land conflict involving indigenous people in Borneo although the company behaved legitimately. The corporation was temporarily suspended from the RSPO losing the right to trade certified sustainable palm oil and suffered contract losses in the tens of millions of dollars (Tan 2011).

2.7 Responsibility & Sustainability Reporting In Malaysia

The Malaysian private sector has been under much pressure to accept social responsibility since the 1980s (Said, Zainuddin & Haron 2009). Although theory and practice in CSR and Sustainability has evolved rapidly over the past decade, previous studies have found that CSR reporting in Malaysia is still generally low and has developed at a slower pace. (Manasseh 2004; Shaw Warn 2004; Ramasamy & Ting 2004; Mohamed, Zain & Janggu 2006). A comparative analysis of CSR awareness among Malaysian and Singaporean firms by using levels of corporate social disclosure revealed a low level of awareness in both countries, although Singaporean companies exhibited a higher level of awareness...
Ramasamy & Ting (2004). In comparison to other Asian countries such as Singapore, Thailand and South Korea, CSR in Malaysia lags behind (Accountants Today 2006).

Since December 2007 all PLCs in Malaysia are required to disclose their CSR activities or practices, or make a statement in their Annual Report if there are none (Siddy 2009). However, despite the legitimacy conferred by the government (Oliver 1991) in encouraging reporting by indirectly establishing a need for compliance, reporting by Malaysian companies on CSR for corporate governance remains low (Buniamin, Alrazi, Johari & Rahman 2008). Further, the quality of CSR disclosure lags behind international best practice even though government apparently places great importance on the need to do so (Othman, Arshad & Darus 2009). This could be attributed to:

- A lack of commitment by the firm towards the community at large (Ramasamy & Hung 2005)

- Firms positioning CSR within the public relations or corporate communications department and thereby undermining the value and seriousness of social responsibility (Davis 2005). This also results in insufficient engagement of employees in carrying out the CSR agenda (Ting, Ramasamy & Ging 2010)

- Management viewing CSR as a series of costly activities with low returns on investments (Raynard & Forstater 2002).

The KPMG International Survey of Corporate Responsibility Reporting 2011 analyzed more than 3,400 companies globally in 34 countries which included Japan, Singapore, India, China and Taiwan. The leader was Japan with 99% of the leading analyzed companies reporting on CSR. Although China was new to the survey, almost 60% of the country’s largest companies report on corporate responsibility matrix. Singapore had comparatively lower reporting rates of 43%. Even lower was Taiwan with 37% and India with 20% (KPMG 2011). Malaysia was not included in the survey.

This Section reviews responsibility and sustainability reporting in Malaysia. While sustainability reporting has several benefits and purposes as discussed in Section 2.4.4, the value of mandatory corporate reporting of non-financial issues as a means of promoting greater corporate accountability is still questioned (Nolan 2006). The term TBL has much appeal. However, some authorities (Brown, Dillard & Marshall 2005) suggest that it inadequately represents organizational sustainability.
There are also many practical issues raised in the implementation of the concept. Attempts to measure environmental and social impacts of a TBL could be subjective; e.g. accounting estimates included in financial statements Daniel (2005). Financial measures could also sometimes be subjected to measurement error. “We should rely on not just one “bottom line,” but a variety of measurements to assess profitability, solvency, liquidity, turnover, and efficiency.” (Daniel 2005, p. 4)

2.7.1 GLC Transformation Programme & The Silver Book

As discussed in Section 2.7.2.4, the Putrajaya Committee on GLC High Performance (PCG) facilitates the transformation of GLCs to increase their contributions to Malaysia’s economic, political, social, spiritual, psychological and cultural growth of Malaysia. The GLC Transformation Programme (GLCTP) has a number of ‘coloured’ books covering key areas for transformation such as governance, procurement practices and leadership (GoN 2011). Within this series, the ‘Silver Book’ published in September 2006 provides guidelines for GLCs to conduct CSR activities in line with their business objectives and corporate philosophy, and to enhance stakeholder and shareholder value (PCG 2006). The overarching intent of this approach is for GLC practices in CSR and disclosure to influence the wider corporate sector in Malaysia (Rahman, Zain& Al-Haj 2011). Khazanah Nasional Berhad, a key GLIC, was tasked with the responsibility of monitoring the GLCs implementation of CSR measures in accordance with the framework (Ching & Wad 2009).

GLCs are increasingly delivering benefits to all Malaysians through improved quality levels, better employment prospects, merit-based procurement processes, supplier capability development and the continued development of a more competitive Bumiputera community. As GLCs evolve to become better corporate citizens with more structured and cohesive CR strategies, more significant investments are being made in education, environmental protection and community welfare (GoM PCG 2009).

The PCG notes that all GLCs have policies, processes and procedures in place to address their social obligations. They are now beginning to integrate these CSR/CR positions into their business strategy (Tam 2007). GLCs are more engaged in issues affecting society and environment and have also begun to measure the impact and outcome of their programmes (GOM PCG 2009).
2.7.2 The Securities Commission

The Malaysian Securities Commission (SC), established on 1 March 1993, is responsible for regulating and systematically developing Malaysia's capital markets. It supervises and monitors market institutions, regulates individuals licensed to provide services to capital markets, and can investigate and enforce the areas within its jurisdiction (Securities Commission Malaysia [Online], http://www.sc.com.my/ - Accessed 15 May 2011).

The SC steers PLCs towards making CSR core to business strategy for business sustainability (The Star, ‘Seeing the Bigger Picture’, 26 Jan 2008 and Anwar 2007). Accordingly, SC’s own Principles & Standards commit to the highest ethical standards in conducting business with suppliers, contractors, vendors, consultants and other relevant stakeholders (SC Online).

The Securities Industry Development Corporation (SIDC) was established in 1994 as the training and development arm of the SC. SIDC supports the SC and Bursa Malaysia in making the Malaysian capital market a preferred destination for investors by: educating investors in Malaysia; developing and training Malaysian capital market intermediaries to global standards; developing and training Emerging Market regulators; training directors of PLCs; and building human capital through a talent development pipeline. Some of the CSR and Sustainability activities organized by SC through SIDC are listed in Table 2.7.

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>SIDC, Star and Institute of Corporate Responsibility Malaysia (ICRM) developed the Starbiz-ICRM Corporate Responsibility Awards (see sub-section 2.7.4.1)</td>
</tr>
<tr>
<td>2007</td>
<td>Workshop: UNDP-ICR Malaysia 2007, Strategic CSR For Sustainable Business</td>
</tr>
<tr>
<td>2006</td>
<td>Seminar with UNDP, Making a Difference Through CSR: Meeting the Challenges</td>
</tr>
<tr>
<td>2004</td>
<td>Conference: In collaboration with British High Commission, targeted at company directors, CSR - Creating Greater Competitive Advantage</td>
</tr>
</tbody>
</table>

Source: SIDC Website

2.7.3 Bursa Malaysia

Bursa Malaysia (“Bursa”) is an exchange holding company offering services regulating almost 1,000 listed companies. It works to maintain an efficient, secure and active trading market for local and global investors; assist the capital market develop and enhance its

Bursa has a statutory duty to always act in the public interest (Kwan & Kwan 2011). It’s Code of Ethics creates and promotes an environment of mutual trust, consideration for fellow employees and responsible behaviour; personal integrity, honesty, discipline and transparency (BM Online).

Bursa is proactive role in promoting CSR in Malaysia. As a regulator, Bursa can influence how PLCs view, adopt and integrate CSR into their business practices (Yusof 2007).

Bursa’s own CSR agenda integrates business practice into operations with ethical values and respect for employees, communities and the environment; and it has a ‘CSR Charter’. These are shown, respectively, in Figure 2.27 and Table 2.8 (BM Online).

**Figure 2.27 – Bursa Malaysia’s CSR Agenda**

### Table 2.8 – Bursa Malaysia’s CSR Charter

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Marketplace</strong></td>
<td>• Commitment to build a sustainable, innovative and competitive marketplace: receptively to stakeholders needs, and considerate of key social and environmental issues to formulate best practices.</td>
</tr>
<tr>
<td></td>
<td>• Aim to represent Malaysia’s business activities in the global CSR debate.</td>
</tr>
<tr>
<td><strong>Multiplier</strong></td>
<td>Enthusiast to use our unique access in the marketplace to promote and profile CSR amongst Malaysian companies operating locally and internationally.</td>
</tr>
<tr>
<td><strong>Accountability &amp; Transparency</strong></td>
<td>Commitment to uphold the highest local and international standards of corporate governance and corporate ethics.</td>
</tr>
<tr>
<td><strong>People</strong></td>
<td>• To be recognised internationally as a responsible employer, offering fair employment practices and remuneration, a safe working environment, providing training and support for skill enhancement, ensuring work-life balance.</td>
</tr>
<tr>
<td></td>
<td>• To be a company that respects all employees and promotes human rights within our sphere of influence.</td>
</tr>
<tr>
<td><strong>Environment</strong></td>
<td>• Work to embed an internationally recognised environment friendly management system in our operational process to reduce our environmental impact.</td>
</tr>
<tr>
<td></td>
<td>• Recognise the importance of improving the environment in which we operate and endeavour to use our unique access and influence to encourage Malaysian companies to address this need.</td>
</tr>
<tr>
<td><strong>Community Investment</strong></td>
<td>Working to engage with and support the sustainable development of local communities.</td>
</tr>
<tr>
<td><strong>Commit to Improve CSR</strong></td>
<td>To continuously review and develop our CSR practices and strategies.</td>
</tr>
</tbody>
</table>

*Source: Adapted from Bursa Malaysia Website*

#### 2.7.3.1 CSR Framework

On 5 September 2006, Bursa launched a *CSR Framework* to guide PLCs in implementing and reporting on CSR (Chong & Wad 2009). As shown in Figure 2.28 the framework looks at four main focal areas for CSR practise – *Environment, Workplace, Community and Marketplace*, in no order of priority. PLCs have the choice of CSR focus areas depending on the nature of their business, resources, corporate inclinations and stakeholders’ expectations.
Bursa Malaysia has been conducting programmes and activities since 2000 to support and promote CSR and sustainability objectives. A key initiative is the *Powering Business Sustainability – A Guide for Directors* (“PBS”).

### 2.7.3.2 Powering Business Sustainability – A Guide for Directors

Bursa launched PBS on 23 November 2010 to help Boards apply the principles and good practices of CR and Sustainability. It aims to clarify how to manage and integrate environmental, social and corporate governance issues into strategic business practices, and provides guidance on the role of the Board in addressing key sustainability issues and on the questions they should ask Management. PBS also addresses issues of corporate reporting, global climate change and community relations to offer opportunities for Malaysian PLCs to adopt good sustainability practices (BM PBS 2010).

The primary objectives of PBS are to: make companies aware of sustainability and why it is relevant to them; provide guidance on embedding sustainability in organisations; share good practices; and highlight key areas of oversight for directors. PBS is structured as five chapters, summarized as follows:

- **Chapter 1 – “Why is Sustainability Relevant?”**

  This chapter describes how companies with good sustainability performance have the potential to protect and enhance their brand and intangible value. It highlights that
sustainability, when viewed strategically, can catalyse innovation, identify new business opportunities, reduce risks and improve cost efficiencies.

• **Chapter 2 – “Enabling Effective Sustainability in Your Organisation”**

Suggests how sustainability might be embedded in an organisation. Highlights importance of establishing a sustainability strategy aligned to stakeholder expectations, corporate strategy and values to maximize impact. Advises that sustainability should integrate into management culture and operations.

• **Chapter 3 – “Prioritising Your Sustainability Focus Areas”**

Presents common sustainability issues faced by companies in different industry sectors. It notes that to be able to actively manage and report companies must understand the issues most relevant to their stakeholders and themselves.

• **Chapter 4 – “Engaging Stakeholders”**

The benefits of proactively engaging stakeholders are explored. Suggests that sustainability shifts focus from shareholders to stakeholders. Companies must identify key stakeholders, and engage them to develop a relevant sustainability strategy and gauge effectiveness of sustainability programmes and reporting.

• **Chapter 5: “Measuring & Reporting”**

Introduces measuring and reporting of sustainability performance. Emphasizes good practice of transparent and credible reporting for a balanced picture of the company’s activities against performance. Companies advised on sharing their reporting roadmap, reporting aspirations and progression over the longer term.

After establishing relevance, PBS offers steps for the Board for each stage. These are noted in Table 2.9.
### Table 2.9 - Powering Business Sustainability - Guide for Directors

<table>
<thead>
<tr>
<th>Stage</th>
<th>Steps for the Board</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enabling Sustainability</td>
<td>• Align the sustainability strategy to company strategy.</td>
</tr>
<tr>
<td></td>
<td>• Have a duty of oversight and management of strategic, social, ethical and environmental risks for better decision making.</td>
</tr>
<tr>
<td></td>
<td>• Include sustainability in the Board agenda and make decisions about the company’s sustainability position and direction.</td>
</tr>
<tr>
<td></td>
<td>• Approve budgets for sustainability initiatives and commitments.</td>
</tr>
<tr>
<td></td>
<td>• Set KPIs on sustainability for the Board and Senior Managements</td>
</tr>
<tr>
<td>Prioritising Focus Areas</td>
<td>• Review and sign-off on material sustainability issues to manage issues.</td>
</tr>
<tr>
<td></td>
<td>• Oversee management of material sustainability issues through robust processes and controls.</td>
</tr>
<tr>
<td></td>
<td>• Seek regular updates and measures on management of material sustainability issues.</td>
</tr>
<tr>
<td>Engaging Stakeholders</td>
<td>• Ensure alignment on purpose of stakeholder engagement and readiness to manage the risks an issues raised.</td>
</tr>
<tr>
<td></td>
<td>• Lead specific stakeholder engagement to gather feedback and ideas.</td>
</tr>
<tr>
<td></td>
<td>• Monitor output of stakeholder engagement and make decisions to improve the company’s sustainability position and manage environmental and social risks.</td>
</tr>
<tr>
<td></td>
<td>• Ensure management considers investor and other stakeholder needs to balance between shareholder value and non financial performance.</td>
</tr>
<tr>
<td>Measuring &amp; Reporting</td>
<td>• Review performance of key sustainability initiatives (including external comparisons) and recommend improvements.</td>
</tr>
<tr>
<td></td>
<td>• Cascade understanding that sustainability brings long term value.</td>
</tr>
<tr>
<td></td>
<td>• Encourage transparent reporting and assurance to increase credibility.</td>
</tr>
<tr>
<td></td>
<td>• Discuss results of assurance with assurance providers and management and oversee the required key improvements.</td>
</tr>
<tr>
<td></td>
<td>• Assess relevance of report in attracting institutional and socially responsible investors.</td>
</tr>
</tbody>
</table>

*Source: Adapted from Bursa Malaysia Website*

#### 2.7.4 Awards

##### 2.7.4.1 StarBiz-ICRM Award

The StarBiz-ICR Malaysia Corporate Responsibility Awards were introduced in 2008 to recognise and honour companies that demonstrate outstanding Corporate Responsibility...

This award systematically evaluates the performance of Malaysian companies, including consideration of governance and ethics. It adheres to the TBL approach (StarBiz-IRCM Online). Eight awards are given, four each in two categories, defined as above or below RM1 billion market capitalization. The awards are for: *Marketplace, Workplace, Environment* and *Community* (Bursa Malaysia Online).

The Star-ICRM Awards aim to encourage Malaysian companies to assimilate CR values in their business strategies and goals so as to raise the business standards of companies for the benefit of all stakeholders (Tam 2007).

### 2.7.4.2 Prime Minister’s CSR Award


The awards are open to all companies based in Malaysia. The focus is on the impact of CSR on communities through education, protection of the environment, provision of better healthcare/service, or by the creation of a healthy work environment for employees (PM CSR Online). There are three key criteria for assessment: (i) the positive impact of the initiative on the targeted communities; (ii) the sustainability of the project; and (iii) the level of commitment and involvement displayed by the company (NST 2010).

### 2.7.4.3 Prime Minister’s Hibiscus Award (PMHA)

Launched in 1996, the PMHA is a private sector award presented every two years to businesses demonstrating excellent environmental stewardship (*Prime Minister’s Hibiscus Award 2010, http://www.hibiscusaward.com/* - Accessed 12 July 2011). Any company
from any industrial or other sector operating within Malaysia is eligible for consideration (Kao 2010).

The objective of the award is to publicly recognise environmental accomplishments and leadership of business and industry; and also create environmental awareness in enterprises that have yet to demonstrate stewardship. Participating enterprises can identify areas for improvement, build capacity and develop partnerships to meet increasingly stringent local and global environmental requirements (ALCOM 2010). Recent winners are listed in Table 2.10.

**Table 2.10—Selected PM’s Hibiscus Award Winners for 2008 - 2009**

<table>
<thead>
<tr>
<th>Award Category &amp; Company</th>
<th>Industry</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exceptional Achievement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Petronas Penapisan (Terengganu)</td>
<td>Petroleum &amp; Petrochemicals</td>
<td>Special Project Award</td>
</tr>
<tr>
<td>Denso (Malaysia)</td>
<td>Auto&amp; Non-Automotive Parts</td>
<td>Selangor Award</td>
</tr>
<tr>
<td>Shell MDS</td>
<td>Petroleum &amp; Petrochemicals</td>
<td>Sarawak Award</td>
</tr>
<tr>
<td>Notable Achievement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Petronas Penapisan</td>
<td>Petroleum &amp; Petrochemicals</td>
<td>Melaka Award</td>
</tr>
<tr>
<td>Spansion, Selangor</td>
<td>Electrical &amp; Electronics</td>
<td>Special Project Award</td>
</tr>
<tr>
<td>BlueScope Lysaght, Sarawak</td>
<td>Fabricated Metal</td>
<td>SME Award</td>
</tr>
</tbody>
</table>


2.7.4.4 ACCA Malaysia Sustainability Reporting (MaSRA) Awards

The MASRA Awards, previously known as the ACCA Malaysia Environmental and Social Reporting Awards (MESRA), were launched in 2002 to build capacity and encourage reporting on environmental performance (RoJ MaSRA 2010). The name was changed to reflect a wider focus beyond only environmental and social variables (AT 2009, Bernama 2009). MaSRA identifies and rewards innovative attempts at communicating corporate sustainability performance. 53 reports were nominated for ACCA MaSRA 2010, with 20 shortlisted for awards (The Edge, 15 November 2010). Recent winners are noted in Table 2.11.

The judges did not award Best Environmental Report or Best Social Report in 2010 being of the view that isolating social or environmental responsibility detracts from the overall objective of improving TBL performance (UTM 2010). Another weakness in several reports was companies’ neglect in linking sustainability initiatives to improving business performance. There is also a failure to identify and disclose key risks, as well any efforts
being taken to mitigate risks threatening long-term sustainability and optimal business performance. Companies also failed to report on strategy and governance, which is the bridge between performance and sustainability (RoJ MaSRA 2010).

TABLE 2.11 - LIST OF MASRA AWARD WINNERS IN 2011 & 2010

<table>
<thead>
<tr>
<th>Award Category</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall Winner – Best Sustainability Report</td>
<td>Kulim (Malaysia) (Plantation Division)</td>
<td>UEM Environment</td>
</tr>
<tr>
<td>1st Runner Up – Best Sustainability Report</td>
<td>UEM Environment</td>
<td>-</td>
</tr>
<tr>
<td>Integrated Reporting in Annual Report</td>
<td>Puncak Niaga Holdings</td>
<td>-</td>
</tr>
<tr>
<td>Environmental Performance report</td>
<td>-</td>
<td>Malaysian Resources Corporation</td>
</tr>
<tr>
<td>Social Performance report</td>
<td>-</td>
<td>Nestlé (Malaysia)</td>
</tr>
<tr>
<td>Best First Time Report</td>
<td>DiGi Telecommunications</td>
<td>Kulim (Malaysia) (Plantation Division)</td>
</tr>
<tr>
<td>Commendation - Reporting on Strategy &amp; Governance</td>
<td>Kulim (Malaysia) (Plantation Division)</td>
<td>Kulim (Malaysia) (Plantation Division)</td>
</tr>
<tr>
<td>Commendation - Reporting on Stakeholder Engagement &amp; Inclusion</td>
<td>DiGi Telecommunications Nestlé (Malaysia)</td>
<td>Astro All Asia Networks</td>
</tr>
</tbody>
</table>

Source: ACCA MaSRA Report of Judges, 2010

2.8 Research Gaps, Questions & Propositions

The Literature Review had several purposes, the most significant of which was to identify clear gaps that may exist in the current body of knowledge concerning the sustainability reporting practices of Malaysian GLCs. The identified gaps formed the basis for developing appropriate research questions and formulating relevant research propositions.

The review revealed that considerable knowledge exists on the background theories covering strategies for Corporate Sustainability, models and frameworks for Sustainability Reporting and the theory, role and challenges of GLCs or state-owned enterprises globally. The review also discovered literature on CSR in Malaysia, including Government policies, CSR practices and reporting on CSR by Malaysian GLCs. However, knowledge is scarce on Malaysian Government policies on Corporate Sustainability; sustainability practices and reporting in Malaysia; and on models for sustainability reporting that may be appropriate for use by Malaysian GLCs. These findings are summarized in Table 2.12.
The existence of these gaps reaffirm the relevance of the research problem as stated in Chapter 1, i.e. ‘What are the critical success factors for effective sustainability reporting by multinational listed Malaysian Government-Linked Companies (GLCs)?’

### 2.8.1 Research Questions Development

When addressing the research problem in light of the gaps identified by the literature review clear research issues arise which may be posed as research questions (Punch 1998).

- The literature reveals that the behaviour of companies regarding Corporate Governance and Sustainability is based on compliance to Government and statutory regulations. It also reveals that the Government has a significant role in influencing the behaviour of companies and, in particular, GLCs. **Research Question 1:** “Does the Government of Malaysia actively encourage Malaysian companies to report on Corporate Sustainability, and if so, how?”

- The review suggests that global expectations of reporting by corporations are changing to require inclusion of non-financial, or sustainability, information and data. There are several frameworks available for reporting such data and companies are expected to apply these frameworks so that their stakeholders can comparatively benchmark...
sustainability performance between industry peers. As there is no information on how Malaysian companies or GLCs are reacting to this emerging global norm, **Research Question 2: “Do multinational listed Malaysia GLCs face challenges in using available Corporate Sustainability models and reporting formats, and if so, what are they?”**

- Malaysian regulators have provided the business community with guides on how to approach non-financial reporting. These have focused on CSR. Bursa Malaysia launched the ‘**Powering Business Sustainability – Guide for Directors**’ to assist Malaysian companies address sustainability. It identifies specific attributes and actions to enable sustainability, engage stakeholders and measure sustainability performance for reporting. **Research Question 3: “Does the Bursa Malaysia ‘Powering Business Sustainability’ Guide provide appropriate actions for multinational listed Malaysian GLCs to report on Corporate Sustainability effectively, and if so, how?”**

- There is no information available on what is necessary for Malaysian companies or GLCs to develop in order to successfully conduct sustainability reporting. **Research Question 4: “Do the multinational listed Malaysian GLCs have the ability and capacity to effectively conduct Corporate Sustainability reporting, and if so, how?”**

### 2.8.2 The Research Propositions

Propositions are ‘the statements that make up theories’ (Berg 2004, p.17). They are about relationships between concepts. A proposition is a testable statement that specifies the relationship between two or more concepts. ‘A researcher will try to learn the truthfulness of a proposition by evaluating whether it confirms to empirical data or evidence’ (Neuman 2006, p.28). Guided by these authorities, the four research questions were converted into four research propositions for empirical testing. They are:

- Research Proposition 1: **“The Government of Malaysia actively encourages Malaysian companies to report on Corporate Sustainability”**.

- Research Proposition 2: **“Listed Malaysia GLCs face challenges in using available Corporate Sustainability models and reporting formats”**.
• Research Proposition 3: “The attributes and actions proposed by the ‘Powering Business Sustainability’ Guide are appropriate for listed Malaysian GLCs to report on Corporate Sustainability effectively”.

• Research Proposition 4: “Listed Malaysian GLCs have the ability and capacity to effectively conduct Corporate Sustainability reporting”.

These four research propositions were the basis of the qualitative or exploratory part of this study and relied on data from the literature review. These propositions were used to guide the findings of the focus group and the process, outcomes and application of the findings from, the qualitative stage of this research are detailed in Chapters 3 and 4.

2.8.3 The Preliminary Research Model

The literature review also allowed the researcher to formulate four research hypotheses, which are inter-related in a preliminary research model for testing in the second quantitative and confirmatory stage. This preliminary model is illustrated in Figure 2.29.

The four research hypotheses are coded H1 to H4, and they inter-relate four variables named ‘Promote’, ‘Challenge’, ‘Effective’ and ‘Ability’ which are coded P1 to P4 (respectively).

As shown in Table 2.13, these variables and hypotheses are supported by prior knowledge discovered in the literature review process.
### Table 2.13 – Authority References & Support for Research Propositions

<table>
<thead>
<tr>
<th>Variable</th>
<th>Supporting Authorities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attributes and actions proposed by the ‘Powering Business Sustainability’ Guide are appropriate for Malaysian GLCs</td>
<td>BM PBS 2010; GRI 2000-11; KPMG 2002; KPMG &amp; G100 2008; The Sustainability Report 2004.</td>
</tr>
</tbody>
</table>

Source: Developed for this Research

The first variable, ‘Promotion’, is supported broadly by authorities speaking to the subject of Government encouragement of companies’ reporting on sustainability in order to align themselves to national policy and global expectations. The second, ‘Challenge’, reflects the complexity of internal and external factors, and their interplay in how a company would attempt to commence and continue reliable sustainability reporting. The third and fourth variables transpose the first and second variables into a specifically Malaysian context. The third variable is that the Powering Business Sustainability Guide as issued by Bursa Malaysia, a regulator and agent of government policy on capital market development, construes active encouragement by the Malaysian Government for Malaysian companies to report on sustainability. The fourth variable considers the ability of Malaysian companies to respond effectively to the need for sustainability reporting.

The variables are linked by preliminary hypotheses which theorise that:
• (H1) a clear policy by the Malaysian Government may make companies report more effectively;
• (H2) for companies to overcome any challenges to sustainability reporting they may require incentives;
• (H3) that the ability of companies to report effectively on sustainability performance could be addressed better if those challenges were better understood and
• (H4) that companies which have ability to do so can report more effectively.

2.9 Conclusion

This chapter reviewed pertinent literature on the research topic in order to confirm the relevance of the research problem. The literature review has also identified gaps in the existing body of knowledge and developed research questions. These research questions have generated research propositions for a qualitative research path; and also research hypotheses and a preliminary research model for a quantitative research path. This provides a theoretical framework and clear direction for the research. The methodology for the study is discussed in Chapter 3.
3 Chapter 3 – Research Methodology & Design

3.1 Introduction

Chapter 1 introduced the research problem, the research questions, the objectives and set the scene for a two-stage, mixed methodology study. In line with Carson et. al (2001) and Cresswell and Plano Clark (2007), the first stage was qualitative and exploratory with the second being quantitative and descriptive research.

The previous chapter reviewed the literature relevant to the research topic from the perspectives of the background and the focus theories (Philips & Pugh 1987). The former, related to corporate sustainability; corporate responsibility and sustainability reporting; and models, tools and formats for sustainability and reporting. The latter reviewed Malaysia and GLCs; corporate responsibility and sustainability reporting practices in Malaysia.

The literature revealed that corporate sustainability is emerging as an important discipline with prior research on the themes of corporate governance, CSR, corporate sustainability. It has also generated several models and reporting frameworks (Elkington 2009, CDP 2008, GE 2008, Leahy 2007, Henriques & Richardson 2004). The scholarship suggests that many of the attributes of these models would be suited for use by multinational Malaysian GLCs in meeting their sustainability reporting needs. However, there were several research gaps on the individual, organisational and management factors that would shape the successful and effective use a reporting model and these served to establish the theoretical framework, research questions, research objectives, four research propositions and four research hypothesis.

This chapter specifically addresses the methodology for this research. It discusses the research design and the research plan. It then presents the data collection instruments, the data analysis procedures and the measures taken to meet ethical concerns and improve the trustworthiness of the research findings. The key components of the research design and their relationship to each other are illustrated in Figure 3.1.
Chapter Structure

Chapter 3 is organized into 11 sections as shown in Figure 3.2. This introductory section links the methodology chapter to the literature review and provides an overview of the chapter.

- **Section 3.2** examines the various methodological approaches and theoretical paradigms. It then justifies the combination of the qualitative and quantitative approaches to meet the research objectives.
- **Section 3.3** presents the research design.
- **Section 3.4** outlines the research plan and data collection.
- **Section 3.5** details the data collection instruments for the exploratory stage which used a qualitative approach. These are the literature review, and a focus group meeting. It also discusses the selection of the participants of the focus group.
- **Section 3.6** describes how the data from the qualitative exploratory stage was connected to the data from the quantitative descriptive stage.
• Section 3.7 details the data collection tools for the descriptive and confirmatory stage of the research based on a Web Survey. It explains the sample design for the Web Survey sample, the development of the questionnaire, the use of the Likert Scale for attitude measurement, the pilot testing of the questionnaire and the administration of the web survey.

• Section 3.8 discusses the measures taken to establish the reliability and validity of the findings.

• Section 3.9 presents the data analysis procedures for the collected qualitative and quantitative data.

• Section 3.10 addresses the pertinent ethical issues and the final section presents the conclusions of this chapter.

**FIGURE 3.2 - STRUCTURE OF CHAPTER 3**

*Source: Developed for this Research*
3.2 The Research Paradigm

Paradigms are the lens through which researchers see the world and adopt certain paradigmatic assumptions to determine how the research will be conducted (McMurray 2009). The pertinent definitions by Babbie (1995), Guba and Lincoln (1994), Kuhn (1962), and Perry, Riege and Brown (1998) are shown in Table 3.1. As an appropriate paradigm is an essential ingredient for good research, this was the first methodological issue that was addressed.

A paradigm comprises ontological, epistemological and methodological assumptions that together frame the nature of the research and the role of the researcher in the scientific inquiry:

**Ontology** is the fundamental assumption that is made about the form and nature of reality specifying ‘what’ and ‘how’ it exists (Parkhe 1993; Guba & Lincoln 1994; Bryman and Bell 2007).

**Epistemology** is the study of the ‘nature of knowledge and the processes by which knowledge is acquired and validated (Gall et al. 1996, p. 758 cited in McMurray 2010).

**Methodology** determines how the researcher goes about investigating that which is to be known and the techniques used to acquire the data required for the research (Guba & Lincoln 1994; Zikmund 2003).

<table>
<thead>
<tr>
<th>Date</th>
<th>Author</th>
<th>Definitions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>Babbie</td>
<td>A paradigm is a point of view and provides researchers with a way of looking at life.</td>
</tr>
<tr>
<td></td>
<td>(p.48)</td>
<td></td>
</tr>
<tr>
<td>1994</td>
<td>Guba &amp; Lincoln</td>
<td>A paradigm is a basic belief system or worldview that guides researchers and deals with ultimate or first principles.</td>
</tr>
<tr>
<td></td>
<td>(p.107)</td>
<td></td>
</tr>
<tr>
<td>1970</td>
<td>Kuhn</td>
<td>A paradigm is a framework of beliefs, values, orientations, and techniques shared by the members of a specific professional community.</td>
</tr>
<tr>
<td></td>
<td>(p.11)</td>
<td></td>
</tr>
</tbody>
</table>


The methodology chosen, as depicted in Figure 3.3 reflects the ontological and epistemological assumptions of the researcher. Sequentially, they influence the research design and the type of data required for the research (Bryman & Bell 2007).
3.2.1 Theoretical Paradigms

There are a number of paradigms for guiding research. ‘There is no universal paradigm present and philosophers and methodologists have been engaged in a long standing debate on how best to conduct research’ (Patton 1990, p. 37). There are four main paradigms, comprising positivism, realism, critical theory and constructivism. (Guba & Lincoln 1994, Perry, Reige & Brown1998) which can be grouped into two methodological approaches; qualitative and quantitative (Zikmund 2003). Some authorities refer to the two approaches as inductive and deductive (Parkhe 1993) objectivism versus subjectivism, positivism versus anti-positivism (McMurray 2009, Easterby-Smith, Thorpe & Lowe 1991; Patton 1990) or scientific and interpretive (Robson 1993). This research treats the qualitative and quantitative approaches as the two broad categories that divide the research paradigms and their key features are shown in Table 3.2.
### Table 3.2 - The Two Principal Research Approaches

<table>
<thead>
<tr>
<th></th>
<th>Quantitative or Deductive</th>
<th>Qualitative or Inductive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ontology</td>
<td>Naive realism</td>
<td>Realism, truth is subjective resulting in multiple realities</td>
</tr>
<tr>
<td>Epistemology</td>
<td>Reality can be studied, captured and understood</td>
<td>Researcher is part of the research process</td>
</tr>
<tr>
<td>Purpose</td>
<td>Generalisability</td>
<td>Contextualisation</td>
</tr>
<tr>
<td>Researcher role</td>
<td>Objective and remote</td>
<td>Researcher and the researched interact</td>
</tr>
<tr>
<td>Methodology</td>
<td>Hypothetico-deductive</td>
<td>Inductive/interpretive</td>
</tr>
<tr>
<td>Data collection</td>
<td>Generate numerical data to represent the social environment</td>
<td>Verbal data and observations to represent the social environment.</td>
</tr>
<tr>
<td>Data analysis</td>
<td>Statistical and summarization</td>
<td>Subjective and interpretive</td>
</tr>
</tbody>
</table>

Source: Adapted from (Lincoln & Guba (1994); Perry, Alizadeh & Riege (1997); Denzin & Lincoln (2007), Ticehurst & Veal (2000), Leedy & Ormrod (2005), McMurray (2009)

#### 3.2.1.1 The Quantitative Paradigm

The ontology of positivism is naïve realism and asserts that only science is able to discover the true nature of reality (Perry, Aizadeh & Riege 1997) with objective accounts of the real world (Denzin & Lincoln 2003). The positivist or quantitative approach being objective involves statistical analysis and focuses on measuring, confirming or validating relationship between variables to develop generalisations for theory development (Leedy & Ormrod 2005).

Positivism takes a dualistic epistemology that requires the separation of the researcher from those researched (Cameron & Miller 2010). The aim is the confirmation of the extant theory rather than the discovery and development of new theory (Guba & Lincoln 1994).

In terms of the methodology, the objective of quantitative research is the measurement and analysis of diverse causal variables (Tsoukast 1989, Flick 1998, Neuman 2006). This requires the collection of large amounts of hard, reliable and objective data, to meet the evaluation criteria of internal and external validity. (Easterby-Smith, Thorpe & Lowe 1991, Denzin & Lincoln 2003).
3.2.1.2 The Qualitative Paradigm

The qualitative or subjective approach includes ‘examining and reflecting on perceptions in order to gain an understanding of social and human activities’ (Collis & Hussey 2003, p. 353). It assumes a relativist ontology with the truth being subjective and therefore allows for the construction of multiple realities (Lincoln & Guba 2000, Perry, Alizadeh & Riege 1997). Its epistemology is characterized by the researcher and the researched interacting closely and being bound together for the exploration and a deeper understanding of complex situations for theory building (Leedy & Ormrod 2005).

Qualitative research, focusing on a full and rounded understanding of organisational and individual experiences, gathers large amounts of rich information concerning a small number of people or organisations (Ticehurst & Veal 2000). Relying on triangulation to secure an in-depth understanding of the phenomena in question (Flick 1998), qualitative research generally involves an analysis of words rather than numbers (Bryman 2004). Accordingly, this may result in judgment based subjective findings (Denzin & Lincoln 2003).

3.2.2 Justification for a Mixed Methodology

The quantitative paradigm has several strengths. Its main strengths are that it generates precise, quantitative numerical data from large survey sizes (Zikmund 2003). The findings can also be replicated and generalized (Blaxter, Hughes & Tight 2006). Despite its strengths, there were four factors which inhibited the use of this paradigm as the sole methodology for this research.

First, it is rather inflexible and ineffective in understanding processes or the significance that people attach to actions since they are treated as independent objects (Greene 2007, Molina-Azorin 2007).

Second, quantitative research emphasizes on the confirmation of a theory (Deshpande 1983) and not so much with the discovery and the development of theory (Lincoln & Guba 2000). While there is much literature on corporate sustainability, models and reporting frameworks, as discussed in Chapter 2, they do not specifically relate to the Malaysian situation. Hence this research also required inductive theory building.
The third reason stems from quantitative research being better suited to establish a definitive “cause and effect” relationship (Sekaran 2000). The primary purpose of this research was to explore the process of sustainability reporting in multinational Malaysian listed GLCs and not to establish or determine a “cause and effect” relationship between variables which can be measured.

The final reason relates to the environment for the research. Quantitative research requires a controlled environment. The process of sustainability reporting in multinational Malaysian listed GLCs is a function of numerous known and unknown elements influencing corporate decisions and actions and these could not be isolated and controlled for research purposes. Furthermore, a controlled environment may result in findings that are not relevant to the real world, may lack rigor and may provide poor results (Guba & Lincoln 1994).

Positivist approaches have traditionally dominated business and management research. Over the past three decades, an increasing number of researchers are adopting post-positivist or qualitative approaches (McMurray 2010) on the grounds that positivist approaches result in theory development without the benefit of informed and non-observable data (Yin 2003). This shift to a value-laden data approach is also due to qualitative research being better suited to understand emerging realities (Perry & Coote 1994), for exploring new topics that have not benefitted from prior research or where existing theory does not apply to a particular sample under study (Creswell 2003, Leedy & Ormrod 2005).

Consequently, commercial market research agencies are increasingly adopting qualitative methods and skills in interviewing and personal engagement. Jobber and Horgan’s (1987) study into the actual practices of agencies, cited in Easterby, Thorpe and Lowe (1991), revealed that skills in interviewing and personal communication were considered to be more valuable than mastery of statistical techniques. Furthermore, qualitative methods have become more sophisticated and more appealing to industry researchers (Easterby-Smith, Thorpe & Lowe 1991).

The researcher initially preferred a solely qualitative approach for two primary reasons. First, sustainability reporting is a relatively new topic in Malaysia and qualitative methods are better suited to explore the complex topic in depth with the aim of generating ideas rather than evaluating ideas. Second, it was necessary for the researcher to gain an in-
depth understanding of the underlying reasons and motivations for sustainability reporting in Malaysia. Such rich ‘real’ and ‘deep’ information could only be secured through a thoughtful engagement with those associated with the area of the research topic (Deshpande 1983, p.103).

However, the researcher was mindful that many policy-makers, academics, and managers continue to give low credibility to studies based on a qualitative approach alone (McDaniel & Gates 1996). There is also evidence that they are reluctant to base important strategic decisions on a small sample based research that relies greatly on the subjectivity and interpretation of the researcher (Easterby-Smith, Thorpe & Lowe 1991). Accordingly, the researcher considered mixing qualitative and quantitative approaches - an emerging third methodological movement (Creswell 2005, Bryman 2008, Cameron & Miller 2008).

The literature showed that ‘mixed-methods’ are increasingly being used in the field of management research (Cameron & Miller 2000, Molina-Azorin 2007). There are several reasons for the increasing use of the mixed methodology. The first, relates to a growing school of thought that argues against the dichotomy between the qualitative and quantitative paradigms and advocates the efficient use for both approaches (Cameron & Miller 2008). Second, is the recognition that since the weaknesses of the qualitative model are the strengths of the quantitative model and vice versa (Bonoma 1985, Eisenhardt 1989), integrating both approaches can provide a more complete picture of the research issues being addressed (Miles & Huberman 1984, Strauss 1990, Yin 2003) and enable the use of triangulation to overcome the potential bias of a single method approach (Collis & Hussey 2003). Furthermore, the mixture of methods provides more perspectives on the phenomenon being investigated (Easterby-Smith, Golden-Biddle & Locke 2008). These considerations persuaded this researcher to combine qualitative and quantitative approaches for this research.

The next step was to determine the type of mixed method that was best suited for this study. There are several mixed method typologies (Creswell 2003, Tashakkori & Eddle 2003). Pertinent to this research was the seven-type typology developed by Green & Caracelli (1997) comprising three component designs and four integrated designs. As shown in Table 3.3, the component designs are ‘triangulation’, ‘complementary’ and ‘expansion’. The integrated designs are ‘iterative’, ‘embedded/nested’, ‘holistic’ and ‘transformative’. Taking full account of the objectives of the study, this researcher
adopted the ‘complementary’ design whereby ‘one dominant method type is enhanced or clarified by results from another method type’ (Caracelli & Green 1997, p. 23).

<table>
<thead>
<tr>
<th>Component Designs</th>
<th>Integrated Designs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Triangulation</strong></td>
<td><strong>Iterative</strong></td>
</tr>
<tr>
<td>Different methods are used to assess the same phenomenon toward convergence and increased validity.</td>
<td>Dynamic and ongoing interplay over time between the different methodologies associated with different paradigms. Spiral type design.</td>
</tr>
<tr>
<td><strong>Complementary</strong></td>
<td><strong>Embedded/nested</strong></td>
</tr>
<tr>
<td>One dominant method type are enhanced or clarified by results from another method type.</td>
<td>One methodology located within another, interlocking inquiry characteristics in a framework of creative tension.</td>
</tr>
<tr>
<td><strong>Expansion</strong></td>
<td><strong>Holistic</strong></td>
</tr>
<tr>
<td>Inquiry paradigms frame different methods that are used for distinct inquiry components. The results being presented side-by-side.</td>
<td>Highlight the necessary interdependence of different methodologies for understanding complex phenomena fully.</td>
</tr>
<tr>
<td></td>
<td><strong>Transformative</strong></td>
</tr>
<tr>
<td></td>
<td>Give primacy to the value-based and action-oriented dimensions of different inquiry traditions. Mix the value commitments of different traditions for better representation of multiple interests.</td>
</tr>
</tbody>
</table>

Source: Caracelli & Greene 1997, p 23.

Accordingly, the qualitative and quantitative approaches were used in a complementary fashion to cross validate and enhance the findings of this research. The first stage was entirely qualitative in nature since it was primarily aimed at examining perspectives of the knowledgeable members of the Malaysian business community on the organisational attitudes of listed multinational Malaysian GLCs on sustainability reporting. This was then connected to the quantitative paradigm by collecting quantifiable data to permit confirmation of the sustainability reporting model that emerged from the initial qualitative stage.

This approach is further justified by Creswell (2003) as one of four major mixed method types as shown in Table 3.4. This research has an ‘Exploratory’ design type in which qualitative is sequentially followed by quantitative and the data is connected between the two phases.
### Table 3.4 – The Creswell Mixed Method Design Types

<table>
<thead>
<tr>
<th>Design Type</th>
<th>Timing</th>
<th>Mix</th>
<th>Weighting/Notation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Triangulation</td>
<td>Concurrent: QN and QL at the same time</td>
<td>Merge the data during interpretation or analysis</td>
<td>QN + QL</td>
</tr>
<tr>
<td>Embedded</td>
<td>Concurrent and sequential</td>
<td>Embed one type of data within a larger design using the other type of data</td>
<td>QN (ql) or QL (qn)</td>
</tr>
<tr>
<td>Explanatory</td>
<td>Sequential: QN followed by QL</td>
<td>Connect the data between the two phases.</td>
<td>QN → ql</td>
</tr>
<tr>
<td>Exploratory</td>
<td>Sequential: QL followed by QN</td>
<td></td>
<td>QL → qn</td>
</tr>
</tbody>
</table>

QN/qn – Quantitative, QL/ql – Qualitative

**Source:** Adapted from Creswell & Plano Clark 2007, p.85

### 3.3 The Research Design

A research design is ‘the plan on how the study will be conducted’ (Berg 1989, p. 31). It also represents the factors that are important as they can be used to identify significant problems and the methods available to solve them (Perry 2001).

There are three main types of research, namely, exploratory, descriptive and explanatory. Each has different objectives, characteristics and methods as shown in Table 3.5.

### Table 3.5 - A Comparison of Basic Research Designs

<table>
<thead>
<tr>
<th>Exploratory Research</th>
<th>Descriptive Research</th>
<th>Causal Research</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Objectives</strong></td>
<td>Discovery of ideas and insight.</td>
<td>Describe market characteristics or functions.</td>
</tr>
<tr>
<td><strong>Characteristics</strong></td>
<td>Flexible, versatile. Often the front-end total research design.</td>
<td>Marked by the prior formulation of specific hypotheses. Pre-planned and structured design.</td>
</tr>
<tr>
<td><strong>Methods</strong></td>
<td>Expert surveys, Pilot surveys, Secondary data, Qualitative research</td>
<td>Secondary data, Surveys, Panels, Observational and other data</td>
</tr>
</tbody>
</table>

**Source:** Adapted from Malhotra 1999, p 85

**Exploratory Study**

An exploratory study is usually undertaken “in order” to initially clarify and define the nature of the research problem (Zikmund 2003). Normally, unstructured and qualitative,
exploratory studies can establish priorities for further research (Denzin & Lincoln 2003). They tend to be highly flexible and this enables the researcher to follow clues, ideas and hunches for probing into areas about which the researcher lacks the information necessary to construct a logical model (Rubin & Babbie 1994).

**Descriptive Study**

Descriptive research is suited to describe ‘the characteristics of the variables of interest in a situation’ (Cavana, Delahaye & Sekaran 2000, p. 109). Its primary purpose is to seek answers to ‘who’, ‘what’, ‘when’, ‘where’ and ‘how’ questions. Much of social research is descriptive as it is also well suited to present a picture of the specific details of a situation, social setting or relationship (Neuman 2006). It is also often conducted to explain the characteristics of relevant group and estimate the percentage of units in a specified population exhibiting certain behaviors (Malhotra 1996). Descriptive research can therefore describe a phenomenon more clearly by offering a profile of the factors (Zikmund 2003).

**Causal Study**

This research type explores and establishes ‘cause and effect’ relationships between variables where the research problem has already been clearly defined (Leedy & Ormod 2005). Requiring a well-planned and structured design, it is conducted in a controlled environment involving the manipulation of the independent variables and the control of other mediating variables for measuring the effects on other variables (Davis 2005). Although causal research has the advantage of greater reliability and internal validity, the sterile value free environment that they create may not be suitable for business and management research (McDaniel & Gates 1996).

**Combining Exploratory and Descriptive Research**

The literature review identified several gaps in the existing scholarship on the research problem. Accordingly, the proposed research began with an important exploratory aim to gain insights into the research problem. However, exploratory research alone has two main limitations. Since it adopts a qualitative approach, this results in a subjective interpretation of the findings. Secondly the use of small sample sizes impedes the projectibility and the generalizability of the findings (Carson et al 2001).
To address these limitations, the researcher, in line with Carson, Gilmore, Perry and Gronhaug (2001), blended exploratory and confirmatory approaches through a two stage approach as shown in Figure 3.4. The exploratory stage identified the research gaps, developed the research questions and a theoretical model through a comprehensive literature investigation as discussed in Chapter 2.

The research issues and the theoretical model then benefitted from refinement based on the views expressed by a focus group meeting. The second and descriptive stage permitted the confirmation of the identified research model on factors key to effective sustainability reporting.

For this purpose, quantifiable data was collected through a web survey and a structural equation model was constructed to test the research model. The web survey responses were analyzed through the use of descriptive statistics (Neuman 2006) and applied to confirm the validity of the research model using structural equation modeling.

**Figure 3.4 – Combining Research Approaches**

![Combining Research Approaches](source:image)

*Source: Adapted from Carson et al 2001*
3.4 The Outline Research Plan

This Section presents an overview of the plan for this research, as conceptually illustrated in Figure 3.5. As discussed in previous sections in this chapter, the figure shows the two stages of the research, moving from the Inductive the Deductive.

The Inductive stage is Qualitative and Exploratory with two data collection instruments: Secondary Data from a Literature Review and Primary Data from a Focus Group. The Literature Review generated a Theoretical Framework and Preliminary Research Model the attributes of which are discussed in the Focus Group. The input of the Focus Group allowed a Refined Research Model to be constructed that was tested by the web survey.

The primary data for the Deductive, Quantitative and Descriptive second stage, was collected by a Web Survey and the results were fed into a Structural Equation Model (SEM) that was developed to test the research model. The SEM verified the research model.

Figure 3.5 – Research Design

This was carried out in a 10-step process as shown in Figure 3.6.
Figure 3.6 – 10-Step Research Process

Source: Developed for this Research

- Step 1 - The Literature Review began the research by allowing research questions to be developed. This allowed two complimentary research paths to be pursued, one qualitative and based on testing four research propositions, and the other quantitative and based on four research hypotheses framed in a preliminary research model;

- Step 2 - Four preliminary hypotheses were developed; and

- Step 3 - a preliminary research model was proposed.

- Step 4 - In parallel, four research propositions were developed and discussed in a Focus Group. The Focus Group delivered two outputs: (a) qualitative conclusions from content analysis of the Focus Group’s opinions on the research propositions; and (b) definitions for 16 constructs based on the Focus Group responses.

- Step 5 - The constructs, each encapsulated in a statement for survey participants to respond to in a manner that could be measured, were presented as questions in a Web Survey.

- Step 6 - the hypotheses were refined by correlating views of authorities from the literature review with the outputs from the Focus Group

- Step 7 - a final research model was developed.
• Step 8 - the Web Survey results were used to triangulate the opinions of the Focus Group to determine if the survey respondents and the focus group participants were consistent in their opinions. The results were also cross-tabulated to ascertain whether the background and/or age of respondents affected the way they responded to the survey.

• Step 9 - The research model was then subjected to quantitative testing using the results of the Web Survey in a structural equation model; and finally,

• Step 10 –The SEM was used to determine a best-fit for the data collected from the survey and the research model which was then refined to generate the output of this study.

Based on this, the Research Plan was developed on the basis of these steps. This is shown in Table 3.6.

**TABLE 3.6 - THE OUTLINE RESEARCH PLAN**

<table>
<thead>
<tr>
<th>Stage</th>
<th>Process</th>
<th>Desired Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Carry out Literature Review</td>
<td>Research gaps identified and research questions generated on key factors in effective sustainability reporting for Malaysian GLCs.</td>
</tr>
</tbody>
</table>
| 2     | a. Develop Research Propositions for Preliminary Research Model  
      | b. Develop Research Hypotheses | Firm directions for the research with quantitative and qualitative paths clearly defined. |
| 3     | Preliminaries, research protocols, ethics approval | Identified participants for Focus Group and the web survey. Obtained Ethics Committee approval. |
| 4     | Conduct Focus Group meeting for the qualitative and exploratory stage of the study. | Candid feedback and views on research issues. |
| 5     | Analyze qualitative data from Focus Group meeting. | Findings of the Focus Group meeting on the research issues and the preliminary research model. Refined research model for testing by web survey. |
| 6     | Defining the variables and constructs to test the research model using a Structural Equation Model. | Firm connection of qualitative stage of the study to the quantitative stage. |
| 7     | Design web survey, select sample and develop web survey questionnaire for the descriptive stage of the study. | Comprehensive web survey questionnaire and appropriate sample reflective of the target population for good results. |
| 8     | Panel of experts for Delphi technique. | Increased validity of survey questionnaire. |
| 9     | Pilot tests of survey instrument. | Increased validity of survey instrument. |
| 10    | Conduct survey. | Adequate sample size for comprehensive analysis of data. |
| 11    | Analysis of survey data using SPSS for descriptive statistics. | Findings of survey on research issues and the suitability of research model for new theory development. |
| 12    | Analysis of survey data using CFA and SEM. | SEM verification of research model. |
| 13    | Interpretation of results &conclusions. | Confirmation of research model for effective sustainability reporting. Recommendations for policy and practice, further research. |

*Source: Developed for this Research*
Data Collection Instruments

The following sections discuss the techniques used to collect the data required for the study. As shown in Figure 3.7, data was collected from multiple sources of evidence to allow for triangulation, to strengthen the internal validity of the findings (Neuman 2006), and to gain ‘a broader or more complete understanding of the issues being investigated’ (Ticehurst & Veal 2000, pp. 50).

FIGURE 3.7 - THE DATA COLLECTION INSTRUMENTS

The qualitative data for the first and exploratory stage of the research was collected through a Focus Group and quantitative data for the descriptive second stage was collected using a Web Survey.

3.5 Qualitative Stage Data Collection Instruments

3.5.1 The Literature Review

The literature review, a critical aspect of the exploratory stage, examined the existing models and frameworks of sustainability reporting for identifying an effective model for Malaysian GLCs. The reviewed secondary data included prior empirical research, written and non-written documents (Bryman 1989), procedural manuals and training documentation. The literature revealed several models and sustainability reporting frameworks and identified a framework model for this research. However, there was a paucity of scholarship on its relevance to Malaysian GLCs. This was the basis for the
framing of the research questions and the crafting of the research propositions tested by this research.

Output of the Literature Review

The literature review proposed a preliminary research model as illustrated in Figure 3.8. The propositions of this model were the basis of the questions for discussion in the Focus Group described in the sub-section following.

**Figure 3.8 – Preliminary Research Model**

![Figure 3.8 – Preliminary Research Model](image)

*Source: Developed for this Research*

3.5.2 Focus Group Meeting

A focus group, a qualitative research technique, involves free flowing interviews with a small group of people pertinent to the research topic (Neuman 2006) to generate the information required by a researcher to identify salient issues (Morgan 1998). Easy to execute, and inexpensive it creates group synergy as the combined efforts of the group ‘will produce a wider range of information, insights and ideas than will the cumulation of separately secure responses of a number of individuals’ (Zikmund 2003, p. 110). For these reasons, the researcher convened a focus group meeting to address the issues related to the
four research propositions. The questions were structured to seek advice and guidance on the aims of this research study (Cavana, Delahaye & Sekaran 2001).

One focus group meeting was conducted. Kitzinger (1995, p. 3) stated that researchers can “combine this method” with other data collection techniques. This provided the basis for a single focus group meeting as data was also collected from the literature review and the questionnaire survey as discussed in Section 3.5.

3.5.2.1 Composition and Selection of Focus Group Participants

The success of a focus group is dependent on its composition and as such the selection and recruitment of participants is critical (Davis 2000). Guided by this, and to ensure that the opinions of the individuals were both relevant and valid, each participant was pre-qualified as noted in Table 3.7.

<table>
<thead>
<tr>
<th>Category</th>
<th>Profile of Focus Group Invitees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Practitioners</td>
<td>Individuals practicing Sustainability or CSR as a job in a GLC.</td>
</tr>
<tr>
<td>Managers</td>
<td>Individuals responsible for Sustainability or CSR in a GLC.</td>
</tr>
<tr>
<td>Experts</td>
<td>Independent consultants advising GLCs on Sustainability or CSR.</td>
</tr>
<tr>
<td>Regulators</td>
<td>Policymakers in Government or working in a Statutory or Regulating Body (e.g. the Securities Commission or Bursa Malaysia) for GLCs.</td>
</tr>
<tr>
<td>Knowledgeable Persons</td>
<td>Thought-leaders in Sustainability or CSR working in Malaysia.</td>
</tr>
</tbody>
</table>

Source: Developed for this Research

The researcher is the President of the Business Council for Sustainability and Responsibility Malaysia (BCSRM) which comprises several large Malaysian and foreign corporations including GLCs. Several of its member firms are either engaged in or committed to sustainability reporting. The researcher wrote to the firms and requested them to nominate suitable and knowledgeable individuals from their staff. Each invited firm was also provided with an Information Sheet with details of the research and the issues to be addressed by the focus group meeting. Based on the received nominations, 10 members were selected to constitute the focus group. This was in line with “A focus group usually comprises between five and 12 participants (Ticehurst & Veal 2000). They comprised two representatives each from the categories of ‘Practitioners’, ‘Managers’, ‘Experts’, ‘Regulators’ and ‘Knowledgeable Persons’.
Each member was fully briefed on the purpose and the nature of the study as well as the measures taken to safeguard their rights. For this purpose, they signed the Informed Consent Form, which is attached as Appendix 1.

They were also given an Information Sheet, attached as Appendix 2, which detailed the issues for discussion, the date and the venue of the meeting. This advisory stressed that participation was entirely voluntary and that any information provided would be kept strictly confidential. It also noted that participants could withdraw at any time without prejudice or make complaints to the Ethics Officer of SCU should any need arise to do so.

3.5.2.2 Conduct of the Focus Group Meeting

The Focus Group meeting was held on Saturday 19th March 2011 at 10am in a meeting room at a hotel in central Kuala Lumpur.

The researcher served as the moderator as suggested by the participants. In order to maintain objectivity, he only stayed at the process level and gave all the members the opportunity to speak freely on the research issues set out in the Information Sheet (Cavana, Delahaye & Sekaran 2001). Members of the group controlled the discussions and were also encouraged to raise pertinent issues which were not in the Information Sheet. Since several of them wished to remain anonymous, they also requested that no recording devices be used. Accordingly, it was necessary for the researcher to take detailed notes of the meeting and these were subsequently given to the members for comments.

The Focus Group was convened to consider the validity of the Research Propositions. In order that they may do so effectively, the researcher structured the Research Propositions as five open-ended questions. They were as follows:

Question 1: “What do you think about the way Malaysian companies (in particular listed GLCs) currently report on their non-financial performance - specifically on CSR, Sustainability and aspects related to these areas?”

Question 2: “Is there any reporting framework, standard or model which you know of which could be a useful reference for Malaysian companies (in particular listed GLCs) to base their reporting on?”
Question 3: “Besides national regulation or voluntary international codes, is there reporting by a particular company or industry sector which you feel warrants significant consideration as a model for Malaysian companies?”

Question 4: “Do you think Malaysian companies (in particular listed GLCs) are ready to effectively report on their non-financial performance? (Do they have the right management attitude, organisational structures, people, etc., so that if they were given a reporting framework they could adopt and implement it well?)”

Question 5: “If not, what do you think needs to be done to get Malaysian companies (in particular listed GLCs) ready to do so? (For example: more government regulation or incentives, global standards, increased competition, talent, resources, etc.?)”

The five questions were mapped against the four research propositions as shown in Table 3.8 in order that each proposition could be validated by the responses of at least two different questions.

Table 3.8 – Mapping Focus Group Questions to Research Propositions

<table>
<thead>
<tr>
<th>Research Propositions</th>
<th>Focus Group Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RP1</strong>: The Government of Malaysia actively encourages Malaysian companies to report on Corporate Sustainability.</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>X</td>
</tr>
<tr>
<td><strong>RP2</strong>: Listed Malaysia GLCs face challenges in using available Corporate Sustainability models and reporting formats.</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>X</td>
</tr>
<tr>
<td><strong>RP3</strong>: The attributes and actions proposed by the ‘Powering Business Sustainability’ Guide are appropriate for listed Malaysian GLCs to report on Corporate Sustainability effectively.</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>X</td>
</tr>
<tr>
<td><strong>RP4</strong>: Listed Malaysian GLCs have the ability and capacity to effectively conduct Corporate Sustainability reporting.</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>

Source: Developed for this Research
3.5.2.3 Applying the Findings from the Focus Group Meeting

The data collected from the Focus Group was analysed as described in sub-section 3.9.1 of this Chapter. The findings from the analysis, as presented in Chapter 4, sub-section 4.2.1, were used in four specific ways:

a. To refine the research model and hypotheses proposed after the Literature Review. The refined research model is presented in sub-section 3.5.2.4 of this chapter.

b. To name and define the variables and constructs to be used in a structural equation model (SEM) to test the research model and its hypotheses. The names and definitions of the constructs to be used in the SEM are presented in section 3.6 of this chapter.

c. To script the specific questions to be cast as statements in the web survey that would allow the constructs to be tested and thereby confirm or disconfirm the research model. The questions for the web survey are presented in sub-section 3.7.1.3 of this chapter.

d. To triangulate responses from the web survey. The triangulation of the focus group findings with the results of the web survey is presented in section 4.4 of Chapter 4.

3.5.2.4 Refining The Research Model

Based on findings from the Focus Group, the research model and the hypotheses proposed after the Literature Review were refined as shown in Figure 3.9 and Table 3.9 below.

**FIGURE 3.9 - REFINED RESEARCH MODEL**

![Refined Research Model Diagram]

*Source: From the Focus Group for this Research*
### Table 3.9 - Refined Hypotheses for the Research Model

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Premise</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1: Promotion affects Effectiveness</td>
<td>Sustainability reporting will be more effective if the Government incentivizes or mandates it.</td>
</tr>
<tr>
<td>H2: Ability affects Effectiveness</td>
<td>Sustainability reporting will be more effective if companies have the ability to do it.</td>
</tr>
<tr>
<td>H3: Challenges are related to and influence Promotion</td>
<td>Government provides incentives to mitigate challenges that companies face in carrying out effective sustainability reporting.</td>
</tr>
<tr>
<td>H4: Challenges are related to and influence Ability</td>
<td>Understanding the challenges allows companies to better their ability to carry out effective sustainability reporting</td>
</tr>
</tbody>
</table>

*Source: From the Focus Group for this Research*

### 3.6 Linking the Qualitative and Quantitative Stages

As discussed in Sub Section 3.2.2, this research adopted the complementary design (Caracelli & Green, 1997, p.23). As previously described, the design of this research is in accordance with the ‘Exploratory’ type defined by Creswell & Plano Clark (2007). This identifies that qualitative is sequentially followed by quantitative with the data being connected between the two phases.

The connection was made in two ways: (a) by using the qualitative findings to define the variables and constructs to be used for the quantitative structural equation modeling; and (b) by using the responses from the Focus Group to script the questions and statements in the web survey. The process of making these connections is described in the sub-sections following.

#### 3.6.1 Defining Variables & Constructs for SEM

Based on findings from the Literature Review and Focus Group, the variables and constructs supporting the research model and the hypotheses proposed were defined as shown in Table 3.10. In order that SEM can be carried out a sufficient number of indicators per factor are required for a model to be identified, and a specific definition of a construct is required in order that indicators can be determined (Hulland, Chow & Lam 1996). Since between three to five indicators should suffice, Tabachnik and Fidell (2001) and Hair et al. (1998), four constructs were established for each variable.
### Table 3.10 - Defining SEM Constructs

<table>
<thead>
<tr>
<th>Variable</th>
<th>Defined by</th>
<th>Construct</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Promotion</strong></td>
<td>a. The belief of the business community that the Government places importance on and encourages sustainability reporting.</td>
<td>Emphasis</td>
</tr>
<tr>
<td></td>
<td>b. The belief that if the Government has a national policy on sustainability reporting it will encourage companies to factor sustainability into their strategic thinking.</td>
<td>Policy</td>
</tr>
<tr>
<td></td>
<td>c. The belief that without Government incentives companies would not carry out sustainability reporting.</td>
<td>Incentive</td>
</tr>
<tr>
<td></td>
<td>d. The belief that the Government is credibly attempting to provide a framework to guide companies in sustainability reporting.</td>
<td>Framework</td>
</tr>
<tr>
<td><strong>Challenge</strong></td>
<td>a. The belief of the business community in Malaysia that GLCs actually understand what the practice of sustainability entails.</td>
<td>Understanding</td>
</tr>
<tr>
<td></td>
<td>b. The belief that GLCs intend to report transparently on the environmental, social and economic impacts of their operations.</td>
<td>Impact</td>
</tr>
<tr>
<td></td>
<td>c. The belief that GLCs already have the right departments and decision-makers to prepare and sign-off on sustainability reports.</td>
<td>Organisation</td>
</tr>
<tr>
<td></td>
<td>d. The belief that GLCs can interpret the views of stakeholders and accept that these views may impact their operations.</td>
<td>Expectation</td>
</tr>
<tr>
<td><strong>Effective</strong></td>
<td>a. The belief that GLCs use the views of stakeholders as inputs into their strategic decision-making.</td>
<td>Stakeholders</td>
</tr>
<tr>
<td></td>
<td>b. The belief that business strategies of GLCs do not maximize profit at the expense of the environment and society.</td>
<td>Strategy</td>
</tr>
<tr>
<td></td>
<td>c. The belief that GLCs can leverage on sustainability to create new business and wealth for their shareholders.</td>
<td>Opportunity</td>
</tr>
<tr>
<td></td>
<td>d. The belief that GLCs recognise the need for sustainability wherever they operate.</td>
<td>Global</td>
</tr>
<tr>
<td><strong>Ability</strong></td>
<td>a. The belief of the business community that GLCs have a corporate culture that values transparency and accountability.</td>
<td>Culture</td>
</tr>
<tr>
<td></td>
<td>b. The belief that GLCs are willing to bring in the expertise and skills necessary for transparent and accountable reporting.</td>
<td>Hiring</td>
</tr>
<tr>
<td></td>
<td>c. The belief that GLCs are willing to develop their existing personnel to be more sustainable, transparent and accountable.</td>
<td>Training</td>
</tr>
<tr>
<td></td>
<td>d. The belief that GLCs can determine what financial and other resources would be required for them to be able to report on sustainability performance.</td>
<td>Resources</td>
</tr>
</tbody>
</table>

Source: Developed From the Focus Group for this Research

### 3.6.2 Scripting Questions & Statements for Web Survey

In order to test the variables and constructs to confirm or disconfirm the research model and the hypotheses proposed as defined in Table 3.10 specific questions were scripted for casting as statements in the web survey. These are shown in Table 3.11.
### Table 3.11 - Scripting Questions for Web Survey

<table>
<thead>
<tr>
<th>RP</th>
<th>FG Qs</th>
<th>Scripted Web Survey Statement</th>
<th>Tests</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. GoM actively encourages MY companies to report on CS</td>
<td>1 &amp; 5</td>
<td>1 GoM policies emphasise the importance of CS reporting by the business community in MY.</td>
<td>Emphasis</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2 National CS reporting policy will encourage MY companies to include CS in business strategy.</td>
<td>Policy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3 GoM should provide incentives to MY companies to carry out CS reporting.</td>
<td>Incentive</td>
</tr>
<tr>
<td></td>
<td>2 &amp; 3</td>
<td>4 Silver Book provides an appropriate framework and tools for MY companies to do CS reporting.</td>
<td>Framework</td>
</tr>
<tr>
<td>2. GLCs face challenges in using available CS models and reporting formats</td>
<td>1, 2 &amp; 4</td>
<td>5 MY GLCs understand what ‘Corporate Sustainability’ means.</td>
<td>Understanding</td>
</tr>
<tr>
<td></td>
<td></td>
<td>6 MY GLCs aim to report annually on the EES impacts of their operations.</td>
<td>Impact</td>
</tr>
<tr>
<td></td>
<td></td>
<td>7 MY GLCs have organisational structures and governance frameworks to carry out CS reporting.</td>
<td>Organisation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>8 MY GLCs understand what stakeholders globally will expect from CS reporting.</td>
<td>Expectation</td>
</tr>
<tr>
<td>3. The attributes and actions proposed by the PBS Guide are appropriate for GLCs to report on CS effectively</td>
<td>1, 3 &amp; 4</td>
<td>9 MY GLCs take account of the views of all their stakeholders in their business outlook.</td>
<td>Stakeholders</td>
</tr>
<tr>
<td></td>
<td></td>
<td>10 MY GLCs consider environmental and social challenges when developing business strategies.</td>
<td>Strategy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>11 MY GLCs see current and future business opportunity in being good global corporate citizens.</td>
<td>Opportunity</td>
</tr>
<tr>
<td></td>
<td></td>
<td>12 MY GLCs manage global business operations responsibly enough to report on CS.</td>
<td>Global</td>
</tr>
<tr>
<td>4. GLCs have the ability and capacity to effectively conduct CS reporting</td>
<td>1, 4 &amp; 5</td>
<td>13 The organisation and culture of MY GLCs is conducive to practicing transparent CS reporting.</td>
<td>Culture</td>
</tr>
<tr>
<td></td>
<td></td>
<td>14 MY GLCs promote hiring of experts and knowledge workers to develop their CS and reporting.</td>
<td>Hiring</td>
</tr>
<tr>
<td></td>
<td></td>
<td>15 MY GLCs provide sufficient training for staff in CS and reporting.</td>
<td>Training</td>
</tr>
<tr>
<td></td>
<td></td>
<td>16 MY GLCs have allocated financial and other resources for their CS and reporting.</td>
<td>Resources</td>
</tr>
</tbody>
</table>

*Source: Developed From the Focus Group for this Research*

The Table is organized to show: (a) ‘RP’, which indicates which research proposition the Focus Group questions were exploring; (b) ‘FG – Qs’, which indicates the responses from which questions substantiates the scripted statement; (c) ‘Scripted Web Survey Statement’, which is the statement that appeared in the web survey and to which the survey participant was asked to provide an opinion; and (d) ‘Tests’ advises which specific construct the
response from the survey participant would be used to test in the structural equation model.

This process ensured a direct and clear connection between the four research propositions of this research; the questions discussed at the Focus Group meeting; the research model developed from the literature review and refined by the Focus Group; the variables and constructs to be tested by the structural equation model; and the questions to be posed in the web survey. The connection is depicted in Table 3.12.

**Table 3.12 – Linking the Research Propositions, Focus Group Questions, Web Survey Statements and the Tests**

<table>
<thead>
<tr>
<th>RP</th>
<th>FG Qs</th>
<th>Statement of Research Proposition</th>
<th>Scripted Web Survey Statement</th>
<th>Tests</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Malaysian Government (GoM) policies emphasize the important of Corporate Sustainability (CS) reporting practices by the Malaysian (MY) business community</td>
<td>1 &amp; 5</td>
<td>1. Malaysian Government (GoM) policies emphasize the important of Corporate Sustainability (CS) reporting practices by the Malaysian (MY) business community</td>
<td>1. GoM policies emphasise the importance of CS reporting by the business community in MY.</td>
<td>Emphasis</td>
</tr>
<tr>
<td>2. A comprehensive national CS reporting policy will encourage MY companies to include Sustainability in their business strategy.</td>
<td></td>
<td>2. National CS reporting policy will encourage MY companies to include CS in business strategy.</td>
<td></td>
<td>Policy</td>
</tr>
<tr>
<td>3. GoM should provide incentives to MY companies to carry out CS reporting.</td>
<td></td>
<td>3. GoM should provide incentives to MY companies to carry out CS reporting.</td>
<td></td>
<td>Incentive</td>
</tr>
<tr>
<td>4. The Silver Book provides an appropriate reporting framework and measurement tools for use by diversified multinational Malaysian listed GLCs (‘GLCs’).</td>
<td>2 &amp; 3</td>
<td>4. The Silver Book provides an appropriate reporting framework and measurement tools for use by diversified multinational Malaysian listed GLCs (‘GLCs’).</td>
<td>4. Silver Book provides an appropriate framework and tools for MY companies to do CS reporting.</td>
<td>Framework</td>
</tr>
<tr>
<td>5. GLCs are serious about CS. They report annually on the economic, social and environmental impacts of their operations.</td>
<td></td>
<td>5. GLCs are serious about CS. They report annually on the economic, social and environmental impacts of their operations.</td>
<td>5. GLCs understand what ‘Corporate Sustainability’ means.</td>
<td>Understanding</td>
</tr>
<tr>
<td>6. GLCs plan to do CS reporting.</td>
<td></td>
<td>6. GLCs plan to do CS reporting.</td>
<td>6. GLCs aim to report annually on the EES impacts of their operations.</td>
<td>Impact</td>
</tr>
<tr>
<td>7. GLCs have the required organisational structures and institutional frameworks to do CS reporting.</td>
<td></td>
<td>7. GLCs have the required organisational structures and institutional frameworks to do CS reporting.</td>
<td>7. GLCs have organisational structures and governance frameworks to carry out CS reporting.</td>
<td>Organisation</td>
</tr>
<tr>
<td>8. CS reporting frameworks used by GLCs address the demands of the global business climate.</td>
<td></td>
<td>8. CS reporting frameworks used by GLCs address the demands of the global business climate.</td>
<td>8. GLCs understand what stakeholders globally will expect from CS reporting.</td>
<td>Expectation</td>
</tr>
</tbody>
</table>
The following section elaborates how the web survey was developed, tested and administered.

### 3.7 Quantitative Stage Data Collection Instrument

The required quantitative data for the second and the descriptive stage of the research was collected through a Web Survey. The steps taken for the survey are outlined in Figure 3.10.
This Section discusses the Web Survey, the design of the questionnaire, with the use of a Likert scale for attitude measurement, a modified Delphi method to refine the questions and the pilot testing of the questionnaire. It then presents the sampling design including the sample size and the selection of the participants.

The Web Survey allowed information to be gathered conveniently from a wide target population. As a data collection instrument the Survey offered several advantages, as outlined below and made it suitable for this research (Ticehurst & Veal 2000):

• Surveys are very useful when structured data is required from a large representative sample.
• Surveys are an ideal means of providing quantified information.
• Surveys provide relatively complex information in an easily understandable form.
• Surveys can be an effective means of gathering a wide range of complex information.
• Surveys are relatively cheap as compared to personal or telephone interviews surveys from a representative sample.

Based on these steps, the description of the development and administration of the Web Survey is presented in the sub-sections following.

3.7.1 Developing the Web Survey

3.7.1.1 Choice of Survey Type

There are several survey techniques and each has its merits and shortcomings. The researcher considered the use of four types of survey: a mail survey; a group administered survey; a face-to-face survey; and an Internet-based web survey.

*Mail surveys* are a relatively inexpensive technique as a self-administered questionnaire can be sent to respondents through the mail. It is convenient for respondents as they can complete self-administered questionnaire at their own time (Zikmund 2003). However, mail questionnaire surveys have low response rates. Furthermore, the respondents don’t have the opportunity to seek clarification on questions and these may lead to incomplete answers (Neuman 2006). For these reasons, this technique was not suited for the research.

*Group administered surveys* are conducted when large groups of individuals are available in a short period (Bordens & Abbot 2005). While it is suitable for organisational practice it raises the issue of anonymity.

*Face-to-face surveys* can be conducted in any location and allows the researcher to pose questions to the respondents directly. Although they generally have high response rates, they take up much time and are relatively expensive to administer (Bordens & Abbot, 2005).

Web surveys are very fast and inexpensive (Neuman 2006). This form of survey also virtually eliminates the need for paper, and allows for export of the survey data directly into SPSS or other analysis software (Cobanoglu, Warde & Moreo 2001).

With the knowledge that most of the respondents would be comfortable with participating in an anonymous web survey, this was the survey type chosen. The researcher acknowledged the disadvantages of ‘coverage, privacy and verification’ (Neuman 2006, pp 302) and took appropriate steps to mitigate them as described in sub-section 3.7.2.4 on ‘Administering the Web Survey’.
3.7.1.2 Designing the Questionnaire

A research survey is only as good as the questions it asks (Zikmund 2003). It is therefore important to carefully design a questionnaire that is in line with the objectives of the research (Ticehurst & Veal 2000). Questionnaire design is also based on measurement concepts as the purpose is to collect data for testing models, propositions or hypothesis (Jackson 1993).

A good questionnaire can also reduce bias in research (Sekaran 2003) and the questions should relate to information needs (Ticehurst & Veal 2000). To meet these requirements, the researcher adopted the questionnaire design process shown below in Figure 3.11.

**Figure 3.11 - The Web Survey Design Process**

In developing a questionnaire, they are “no hard and false rules” (Zikmund 2003, pp. 98). However, the researcher took five key factors into account when designing the questionnaire for this research in order to increase the relevance, reliability and validity of the survey findings.

**Relevance**

A questionnaire is only relevant when the outcome is the collection of the required and pertinent information. The researcher must therefore be specific about data needs (Zikmund 2003). To adhere to this, the questionnaire only included questions that related
to the research process, and each question was linked to the research questions and propositions.

**Accuracy**

The words in a questionnaire have to be readily understood by all the respondents. Since double-barreled questions that contain more than one issue can confuse the respondents, they were avoided. The questions were kept simple and short to allow for variations in the English language proficiency levels of the respondents. The questions were also phrased to be as specific as possible to avoid ambiguity (Zikmund 2003).

**Minimizing Bias**

Closed ended questions were used to permit the respondent to choose and provide answers that were closest to his or her own viewpoints (Zikmund 2003). Leading questions that suggested or implied certain answers were avoided to minimize the possibility of bias (Sekaran 2000).

**Sequencing**

A good questionnaire forms an integrated whole with questions that flow smoothly. The researcher used a funnel sequence for the design of the questionnaire. A funnel sequence can be defined as ‘organizing survey questions in a questionnaire from general to specific questions’ (Neuman 2006, p.294). The questions were also worded, both positively and negatively, to minimize the tendency of respondents to mechanically circle the points towards one end of the scale (Sekaran 2003).

**Layout**

The layout and the physical attractiveness of the questionnaire are important for self-administered questionnaires. Layout is also important when the questionnaires require the respondent to fill in large amount of information (Zikmund 2003). In recognition of this the questions were grouped in batches of four, well-spaced and listed under the research proposition they related to, which was presented in bold. At the bottom of each page the respondent was advised of what percentage of the survey they had already completed to encourage them to continue to completion.
3.7.1.3 The Questions & Statements

The finalized questionnaire, attached as Appendix 4, consisted of 16 closed-ended questions. There were four statements for each of the four research propositions as listed below:

Research Proposition 1
The Malaysian Government is actively encouraging Malaysian businesses to report on their Corporate Sustainability.

Statement 1: Malaysian Government policies emphasize the important of Corporate Sustainability reporting practices by the business community.

Statement 2: A comprehensive national Corporate Sustainability reporting policy will encourage Malaysian companies to include Sustainability in their business strategy.

Statement 3: The Government should provide incentives to Malaysian companies to carry out Corporate Sustainability reporting.

Statement 4: The Silver Book provides an appropriate reporting framework and measurement tools for use by diversified multinational Malaysian listed GLCs.
Research Proposition 2

Diversified multinational listed Malaysian GLCs face challenges in using available Corporate Sustainability models and reporting formats.

Statement 5: Diversified multinational listed Malaysian GLCs are serious about Corporate Sustainability. They report annually on the economic, social and environmental impacts of their operations.

![Survey Results](image1)

Statement 6: Diversified multinational listed Malaysian GLCs plan to do Corporate Sustainability reporting.

![Survey Results](image2)

Statement 7: Diversified multinational listed Malaysian GLCs have the required organisational structures and institutional frameworks to do Sustainability reporting.

![Survey Results](image3)

Statement 8: Corporate Sustainability reporting frameworks used by diversified multinational listed Malaysian GLCs address the demands of the global business climate.

![Survey Results](image4)
Research Proposition 3
The Bursa Malaysia ‘Powering Business Sustainability’ model is appropriate for diversified multinational listed Malaysian GLCs.

Statement 9: Diversified multinational listed Malaysian GLCs take account of the views of all their stakeholders in their business outlook.

Statement 10: Diversified multinational listed Malaysian GLCs consider environmental and social challenges when they develop their business strategies.

Statement 11: Diversified multinational listed Malaysian GLCs see current and future potential business opportunity in being good global corporate citizens.

Statement 12: Diversified multinational listed Malaysian GLCs manage all their global business operations well enough to report on them as part of their Corporate Sustainability.
Research Proposition 4

Diversified multinational listed Malaysian GLCs have the ability and capacity to effectively conduct Corporate Sustainability reporting.

Statement 13: The organisation and culture of diversified multinational listed Malaysian GLCs conducive to practicing transparent Corporate Sustainability reporting.

<table>
<thead>
<tr>
<th>Strongly Agree</th>
<th>Agree</th>
<th>No Opinion (Neutral)</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Don't Know</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
</tbody>
</table>

Statement 14: Diversified multinational listed Malaysian GLCs promote the hiring of experts and knowledge workers to develop their Corporate Sustainability and reporting.

<table>
<thead>
<tr>
<th>Strongly Agree</th>
<th>Agree</th>
<th>No Opinion (Neutral)</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Don't Know</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
</tbody>
</table>

Statement 15: Diversified multinational listed Malaysian GLCs provide training for staff at all levels to build awareness and skills in Corporate Sustainability and reporting.

<table>
<thead>
<tr>
<th>Strongly Agree</th>
<th>Agree</th>
<th>No Opinion (Neutral)</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Don't Know</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
</tbody>
</table>

Statement 16: Diversified multinational listed Malaysian GLCs have allocated financial and other necessary resources for enhancing their Corporate Sustainability and reporting.

<table>
<thead>
<tr>
<th>Strongly Agree</th>
<th>Agree</th>
<th>No Opinion (Neutral)</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Don't Know</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
</tbody>
</table>
3.7.1.4 The Sampling Design

‘Surveys are useful and powerful for finding answers to research questions but they can do more harm than good, if not correctly targeted’ (Cavana, Delahaye & Sekaran 2000, p. 252). A sample is a subset of the population that enables the researcher to estimate some unknown characteristics of the entire population (Davis 2005, Zikmund 2003).

Sampling design is the selection of the sample to minimize the gap between the values obtained from the sample and the population (Kumar 1996). Population refers to the total group of people, events or things that interest researchers and are to be investigated (Sekaran 2003). Populations share some common characteristics (Malhotra 1999) and the populations for this research comprised the experts, regulators and the staff of the selected embedded case study involved with sustainability reporting.

There are two main techniques for the selection of sample participants. The first is probability sampling, with every element in the population having an equal probability of being selected. This approach, also referred to as random selection, eliminates the bias of selecting the sample both from the researchers’ preference and bias within the sample itself (Bordens & Abbot 2005).

The second is non-probability sampling with researchers relying heavily on personal judgment. Accordingly in non-probability sampling, it is statistically inappropriate to project the data beyond the sample. However, this sampling approach was considered appropriate for this research in view of the specialized and the technical nature of the research issues. There are three main categories of non-probability sampling; namely convenience sampling, judgment or purposive sampling and quota sampling. The researcher considered each in the sample selection exercise (Zikmund 2000).

Convenience Sampling

This is a speedy and low cost procedure for obtaining a large number of completed questionnaires from members of the target population who can be easily reached by the researcher. However, the findings may lack objectivity and do not lend themselves for generalisation (Zikmund 2000).
**Judgment or Purposive Sampling**

In this procedure, the researcher locates “a highly specific difficult – to reach population” with a specific purpose in mind (Neuman 2006, pp. 222). In view of the specialized nature of the investigation, it was appropriate for this research.

**Quota Sampling**

This procedure involves the selection of predetermined categories to reflect the diversity of the target population. This has the advantage of ensuring that the various pertinent subgroups in the population are represented in the survey sample (Neuman 2006).

Taking all factors into account, in particular the relatively small target population of the study, the researcher combined judgment and quota sampling. This enabled the sample to comprise respondents who were knowledgeable about sustainability reporting. It also permitted the inclusion of participants with knowledge of different aspects of CSR and sustainability reporting in GLCs.

**Recruitment of the Survey Participants**

The researcher used his business and personal contacts to secure meetings with members and representatives of BCSRM, the United Nations Global Compact (UNGC), two local universities offering postgraduate programmes on sustainability issues, and three government regulatory bodies. They were informed of the purposes of the research survey and were requested to assist in the identification of suitable persons as respondents. This resulted in the researcher receiving the names and contact numbers of 300 prospective participants.

The researcher contacted the suggested participants, by phone, e-mail, or both, to seek their agreement to participate. They were briefed on the purpose of the research survey and their expected roles. The researcher assured them that their rights would be protected and that information provided would be kept confidential. They were also entitled to receive the results of the research in which they participated once the research was completed.

**3.7.1.5 Questionnaire Completion Modality**

Survey questionnaires can either be interviewer/researcher completed or respondent completed. When it is interviewer/researcher completed, the questions are presented verbally to the respondent and the interviewer/researcher records the responses. In the
case of respondent completion, the questionnaire is sent to the survey participant for completion without the researcher present. Each modality has advantages and disadvantages as shown in Table 3.13.

Taking these into account and the nature of the study, the respondent completion mode was used. The respondents were sent an email inviting them to access the survey online and complete the questions within.

**Table 3.13 - Interviewer versus Respondent Completion**

<table>
<thead>
<tr>
<th></th>
<th>Interviewer Completion</th>
<th>Respondent Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Advantages</strong></td>
<td>More accuracy</td>
<td>Cheaper</td>
</tr>
<tr>
<td></td>
<td>Higher response rates</td>
<td>Quicker</td>
</tr>
<tr>
<td></td>
<td>More complete answers</td>
<td>Relatively anonymous</td>
</tr>
<tr>
<td><strong>Disadvantages</strong></td>
<td>Higher cost</td>
<td>Patchy response</td>
</tr>
<tr>
<td></td>
<td>Less anonymity</td>
<td>Incomplete response</td>
</tr>
</tbody>
</table>

*Source: Adapted from Ticehurst & Veal (2000)*

### 3.7.1.6 Attitude Measurement

An attitude is an “enduring” disposition to consistently respond in a given manner to various expect of the world (Zikmund 2003, pp. 352). In order ‘to give numbers to attitudes’ and to permit the use of statistical analysis, the researcher measured the responses to the questionnaire (Sekaran 2003).

For this purpose, the researcher considered three attitude-rating scales namely the simple attitude scale, the category scale and the Likert scale (Zikmund 2003). The features of each are shown in Table 3.14.

**Table 3.14 - Features of the Different Attitude Rating Scales**

<table>
<thead>
<tr>
<th>Type</th>
<th>Nature</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Simple Attitude</td>
<td>Either agree or disagree to a single statement or question</td>
<td>Ease of response</td>
<td>Could not provide for the fine distinction in the attitudes of the respondents. Could not represent a neutral reply.</td>
</tr>
<tr>
<td>Category Scale</td>
<td>Indicate response category</td>
<td>Flexible and sensitive measure</td>
<td>Items may be ambiguous with few categories. Only gross distinctions can be made.</td>
</tr>
<tr>
<td>Likert Scale</td>
<td>Statements evaluated on a five points scale</td>
<td>Easy to administer. Able to draw distinctions in the attitudes of the respondents.</td>
<td>Difficult to judge what a single score means</td>
</tr>
</tbody>
</table>

*Source: Adapted from Zikmund 2000*
A simple attitude scale requires a respondent to ‘agree’ or ‘disagree’ with the statement or respond to a single question. A category scale is a more sensitive measure as it has several response categories and therefore provides the respondent with alternative ratings (Ticehurst & Veal 2000).

In the Likert Scale the respondents are provided with a range of responses to enable them to indicate how strongly they agree or disagree. To measure their attitudes, a researcher can assign scores to the alternative responses (Zikmund 2003).

After considering three scales, a six-point Likert scale was selected for this research, as shown in Figure 3.12. The scale included a category of ‘Don’t Know’ since the sample may have included respondents not familiar with specifics of CSR or sustainability reporting.

**Figure 3.12 - Six-Point Likert Scale**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Don’t Know</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
</tbody>
</table>

*Source: Adapted from Ticehurst and Veal (2000)*

### 3.7.2 Testing & Conducting the Web Survey

#### 3.7.2.1 The Delphi Method

The Delphi Method, using a panel of carefully selected experts, is useful for the development of the survey questionnaire (Witt & Moutinho 1994). Each expert responds to questions and each round of the questioning benefits from the comments on the preceding round of replies. The experts are also encouraged to revise their answers based on the comments made by the other experts of the panel.

As previously noted, the researcher is the Chief Sustainability Officer of a Malaysian conglomerate committed to sustainability reporting and also the President of the BCSRM. Over the years, he has established a wide network of professional and business contacts...
with members of the public and private sectors, government bodies and the academia community.

Using his contacts, the researcher identified five experts who agreed to take part in this research. To maintain anonymity only their job positions are stated. They comprised a senior civil servant, a past Executive Director of the UNGC, two industry consultants and a senior professor from a local university.

The researcher sent the draft questionnaire to the five experts for their viewpoints and suggestions. When these were returned the questions were amended accordingly. The researcher modified the technique by only using two rounds instead of several rounds as the experts concurred with the amended questionnaires which took full account of the suggestions made by the experts after the first round.

3.7.2.2 Pilot Testing the Questionnaire

A questionnaire must benefit from a trial run as it can detect weaknesses in its design (Cooper & Schindler 1998). A pilot test is also useful for evaluating questionnaire items, in reviewing the actual wording of the questions and the instructions for completions (Warwick & Lininger 1975). A pilot test was undertaken for this research in January 2011. Fifteen questionnaires (5% of the sample group) were sent to selected participants for their completion. The researcher then met with them individually and posted the following questions:

i) Were the questions relevant and adequate for the purposes of the research?

ii) Were any of the questions ambiguous or difficult to comprehend and answer?

iii) Were the questions well arranged to retain their interest?

The responses revealed some poorly worded questions and these were reworded. The researcher also added more instructions for the easier completion of the questionnaires. The questions were re-cast as `assertive statements' to elicit a range of responses.

3.7.2.3 The Web Survey Sample

Sample sizes for most research should include more than 30 participants but less than 500 (Roscoe 1975). Guided by this, 300 persons were identified from the target population to participate in the web survey. A good response rate from a sample of this size would provide enough data for the findings to be generalized.
Neuman (2006) defined that target population as ‘the concretely specified large group of many cases from which a researcher draws a sample and to which results from a sample are generalised’ (Neuman 2006, p.224). While there are no published statistics on the size of the target population for this research, a recent study revealed that CSR and sustainability reporting are still at an infancy stage in Malaysia. Out of 10 managers interviewed, eight of them were unaware of the term CSR (Amran, Devi & Zakaria 2008). Discussions with the knowledgeable persons who assisted with the Delphi technique also revealed that sustainability reporting is only practiced by a very few large Malaysian firms.

As discussed in Section 3.7.1.4, 300 prospective participants were identified for the survey. They were organized into the categories noted in Table 3.15, following those established for the Focus Group, but widened to accommodate involvement in or with any MNC or public-listed company in Malaysia as the population of individuals directly involved with GLC-specific CSR or Sustainability was thought to be a significant limiting factor.

<table>
<thead>
<tr>
<th>Category</th>
<th>Profile of Participants in Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group A</td>
<td>Individuals practicing Sustainability or CSR as part of their job within a GLC, MNC or public-listed company in Malaysia.</td>
</tr>
<tr>
<td>Practitioners</td>
<td></td>
</tr>
<tr>
<td>Group B</td>
<td>Individuals responsible for Sustainability or CSR in a GLC, MNC or public-listed company in Malaysia.</td>
</tr>
<tr>
<td>Managers</td>
<td></td>
</tr>
<tr>
<td>Group C</td>
<td>Independent consultants advising GLCs, MNCs or public-listed companies in Malaysia on managing Sustainability or CSR.</td>
</tr>
<tr>
<td>Experts</td>
<td></td>
</tr>
<tr>
<td>Group D</td>
<td>Policymakers in Government or working in a Statutory or Regulating Body for GLCs, MNCs or PLCs in Malaysia.</td>
</tr>
<tr>
<td>Regulators</td>
<td></td>
</tr>
<tr>
<td>Group E</td>
<td>Thought-leaders or academics in Sustainability or CSR working in Malaysia as well as representatives of NGOs.</td>
</tr>
<tr>
<td>Knowledgeable Persons</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Developed for this Research*

Through the use of quota sampling, the 300 respondents were categorized into five groups as shown in Figure 3.13.
3.7.2.4 Administration of the Web Survey

This research was granted approval No. ECN-10-047 by the Human Research Ethics Committee (HREC) and the web survey was deployed in April 2011. The web survey was conducted as follows:

- Targeted participants were sent emails with information detailing the objective of the survey as well as the measures taken to safeguard the interests of the participants in the body of the email. The email contained a hyperlink to allow the participant to access the web survey remotely.

- To ensure privacy the survey was administered independent of the researcher. This was assured in two ways: first, by issuing invitations using an email account specially-created and dedicated to this process; and second, by disabling any features on the web survey system that could allow respondents to be traced if they used the hyperlink provided.

- Participants were offered the option of having the web survey results sent to them. If they chose this option they were required to send a separate email back to the researcher and advised that in doing so their identity as one of the respondents would be known to the researcher, although that knowledge could not be applied to any specific response that may have been received by the web survey system.
• The web survey was open to accept responses initially for two weeks; and then extended for an additional two weeks with a reminder email was sent. The web survey was closed in May 2011 with a total of 214 respondents from a target population of 300 invited, equating to a 71.3% response rate.

3.8 Research Quality

The researcher incorporated measures to improve the trustworthiness of the research (Flick, Kardorff & Steinke 2004). Outlined below include procedures to minimize the errors to make the findings valid and reliable (Bryman & Bell 2007).

3.8.1 Minimizing Errors

Research quality may be threatened by respondents’ and by respondents’ bias (Robson 1993). In order to minimize the risk of the respondent as an error source (Cooper & Schindler 2000):

• The selected focus group and survey respondents held comparable positions.
• The questionnaire blocks and the questions were carefully worded to avoid ambiguous or double-barreled questions.
• The pre-testing of the questionnaire ensured that the questions, when presented as statements, were easily understood by the respondents.

Furthermore, all the focus group participants benefited from an Information Guide clearly stating the purpose of the research and the issues for discussion at the meeting. Consequently, the Focus Group members prepared themselves for the meeting and presented knowledge-based views. A key informant, present at the meeting, checked the draft record of the Focus Group (Yin 2003). Having reviewed the completeness and the accuracy of the record it was then sent to each member for their comments. As the records of the meeting were only finalized after receiving feedback from the members, this also helped to reduce the risk of errors.

3.8.2 Reliability and Validity

Reliability applies to a measure, which yields similar results on other occasions or similar observations by other observers, thus providing consistent results (Easterby-Smith, Thorpe & Lowe 1991). Validity relates to whether the findings are relevant to assist the researcher
in solving the research problems. (Cooper & Schindler 2003, Zikmund 2003). The researcher took five measures to improve the reliability and validity of the research findings:

1. Adopting a mixed methodology combining qualitative and quantitative approaches. Since the strengths of the quantitative model are the weaknesses of the qualitative model this combination provided for more valid and reliable findings (Greene & Caracelli 1997). The initial qualitative stage provided useful insights on the suitability of sustainability reporting models for Malaysian GLCs. The subsequent quantitative second stage with data collected from a relatively large sample size controlled bias provided for objectivity (Neuman 2006).

2. Pre-testing survey questionnaire to make it coherent and easy to understand. This improved the reliability of the survey questionnaire.

3. Ensuring that the survey questionnaire covered the range of the research issues that were being measured. As shown in Figure 3.14 the questions used in the Web Survey were directly drawn from analysed findings from the Focus Group and covered the specific constructs of the research model to be measured. This satisfied the criteria for content validity and contributed to greater reliability of the web survey (Kumar 2005).

4. The hypothesis and constructs of the research model that were used and confirmed by factor analysis and rigorously tested through structural equation modeling. This was supported by triangulation with the Focus Group responses to strengthen internal validity.

5. Improving external validity by comparing in Chapter 5 the research findings emerging from the data analysis in Chapter 4 with the extant literature from Chapter 2 in order to draw conclusion and determine the implications for this research (Eisenhardt 1989, Yin 1994).


3.9 Data Analysis

Data analysis gives meaning to the data that has been collected. The data analysis procedures were considered in detail during the research design planning stage. As discussed in Section 3.2.2, this research used a mixed methodology with a ‘complimentary’ design whereby ‘one dominant method type is enhanced or clarified by results from another method type’ (Caracelli & Green 1997, pp.23).

It was largely qualitative in nature with the supplementary use of the quantitative paradigm, through the collection of quantifiable data. This required two types of data analysis. The first was for the qualitative data emerging from the Focus Group. The other, for the quantifiable data collected through the Web Survey. The analysis process for each is outlined below.

3.9.1 Analysis of the Qualitative Data

Qualitative data are in the form of text, written words, phrases, or symbols describing or representing people, actions and events in social life their analysis was aimed at inductive reasoning, thinking and theorizing through a search of themes and patterns to induce finding (Neuman 1994). Guided by Miles and Huberman (1984), and Sekaran (2000), the researcher used a four-step data analysis approach of editing and summarising, coding, data display and content analysis.
Data Editing and Summarizing

The detailed notes taken during the Focus Group meeting were edited to ensure their completeness, consistency and the reliability of the views expressed by the Focus Group members. This revealed some contradictory views from a Focus group member and it was necessary for the researcher to contact the member to seek clarification. After this was obtained, the notes were amended and then reduced to one-page summaries in line with the research question.

Coding

This involved the use of tags or labels to assign meanings to the descriptive or inferential information compiled during a study (Miles & Huberman 1994, pp. 56). Open coding, through use of a coding sheet, enabled the research to identify common themes emerging from the summaries of the Focus Group meeting.

Data Display

The reduced data was then displayed in a manner that helped with the analysis process. After the data was coded it was displayed in the form of matrixes, graphs, charts and diagrams to enable the researcher to draw conclusions.

Content Analysis

Content analysis is a technique for examining the content of communication media including interviews (Neuman 2006). Meanings emerging from the data were verified by reviewing the notes, examining rival explanations and the cross-checking of the conclusions with each member of the Focus Group. This procedure was also useful for locating patterns in the display tables as a basis for inducing conclusions on each of research propositions.

The analysed data from the Focus Group was used in four specific ways:

a. To refine the research model and hypotheses proposed after the Literature Review.

b. To name and define the variables and constructs to be used in a structural equation model to test the research model and its hypotheses.

c. To script the questions to be cast as statements in the web survey that would allow the constructs to be tested and thereby confirm or disconfirm the research model.

d. To triangulate responses from the web survey.
3.9.2 Analysis of the Quantitative Data

The Web Survey achieved a 71.3% response rate. The quantitative data analysis process commenced with the editing of the completed questionnaires to identify incomplete responses or responses that were logically inconsistent (Zikmund 2000). The edited data was then coded through the use of a coding to connect the questionnaire response into a form that a computer can analyze (Malhotra 1999).

The researcher considered several statistical analyses such as cross-tabulation, t-test and ANOVA. However, since the quantitative stage of the study focused on confirming the proposed model, and t-test and ANOVA are suited for test comparison or multigroup analysis, these were not considered appropriate statistical tests for the research (Hair, et al. 2010; Tabachnick & Fidell 2007). The researcher was guided by Sekaran and Bougie (2010) and also Tabachnick and Fidell (2007) on the rule of thumb to interpret Cronbach’s Alpha. SPSS was used to confirm the reliability results of the measurements. Special consideration was given to the Goodness of Fit in line with (Bryne 2010; Bollen 1989) to confirm the significance of results of the indexes and to fulfil the requirement of the establishment of the model fit.

The computer program SPSS Windows version 17.0 was used to produce the following descriptive statistics:

- Frequency distribution tables
- Group Percentage Cross Tabulations for each Statement
- Comparison of Mean Responses for each Proposition
- Standard Deviations by Groups for each Proposition
- Group Responses for each Statement
- Confirmatory Factor Analysis and Structural Equation Modeling

The Likert scale responses from each statement in the web survey were ascribed numerical values. These values, corresponding to measurement of the constructs, were subjected to a confirmatory factor analysis (CFA) using the AMOS 7.0 Structural Equation Modeling software. Guided by Anderson and Gerbing (1988), the research model was tested in two stages: first by using a CFA to evaluate construct validity; second by performing structural equation analysis to empirically test the research hypotheses.
3.10 Ethical Considerations

In conducting business research Hussey and Hussey (1997) advise that moral and ethical issues should be addressed, including how the researcher behaves (Leedy 2001). Zikmund (2000) notes that ethical questions arise in the interaction between the parties involved in the research: i.e. the researcher, the respondents or participants, and the University.

The approval to conduct the research was obtained from the Human Research Ethics Committee (HREC), Approval No. ECN-10-047, assuring that Southern Cross University complied with the ‘National Statement on Ethical Conduct in Research Involving Humans’, which sets out the manner in which research may use focus groups and surveys.

The data collection techniques were structured to meet specific HREC guidelines including:

a. The principle of ‘informed consent’ meaning the participants (i) declared that their participation was voluntary; (ii) that they understood their right to withdraw at any time, even if written consent had been given previously; and (iii) that they always had recourse to lodge a complaint about the behaviour of the researcher with the University if the need arose. Focus Group participants were asked to sign a consent form stipulating to these points. Respondents in the web survey were advised that if they chose to participate in the web survey that would be deemed consent and, as the web survey system accepts submissions anonymously (managed as described in Sub-section 3.7.2.4 above), that they could not withdraw their responses once they completed and submitted their web survey form.

b. The need for all participants and respondents to be fully informed on the nature and objective of the study before agreeing to contribute. The researcher provided both the Focus Group and Web Survey respondents (in the covering email invitation to participate) an information sheet that: (i) described the research; (ii) explicitly stated that all information contributed would be kept private and confidential and be available only to the researcher and the University; and (iii) all participants would remain anonymous. The contact details for the Ethics Office at Southern Cross University, as well as those of the research Supervisor were clearly stated on the Information Sheet in case any participant chose to complain about the process or behaviour of the researcher.
The Informed Consent Form and Information Sheet for the Web Survey are attached as Appendix 3.

3.11 Conclusion

This Chapter justified a mixed methodology and detailed the research design. It described the two-stages of the research: exploratory and qualitative followed by descriptive and quantitative. It explained the use of a Focus Group and a Web Survey to collect primary data, and how the findings arising from each would be applied to enhance and test the validity of the research model. Finally it described how ethical considerations were handled. The next Chapter analyses the collected data.
Chapter 4 – Data Analysis & Findings

4.1 Introduction

The previous Chapter detailed the methodology, research design and data collection instruments used to conduct this study. This Chapter analyses the primary data collected from the two instruments, namely the Focus Group discussion and the Web Survey. It details how the findings from the Focus Group were used to refine the research model proposed by the researcher in Chapter 2 by verifying the attributes of each variable, and then defining them into constructs. The defined constructs were posed as the Web Survey questions so the data from the web survey could be tested using a structural equation model of the research model originally hypothesized by the researcher. The relationship of the contents of this Chapter to the contents of Chapters 2 and 3 are illustrated in Figure 4.1.

Figure 4.1 - Relationship of Contents Chapters 2, 3 & 4

This Chapter has six sections as shown in Figure 4.2.

• Section 4.2 presents the results of the primary data collected from the Focus Group in the first exploratory stage of the research and then explains how content analysis was
used to refine the research model and develop the questions for the Web Survey. It also presents findings from the Web Survey and inferences from cross-tabulation of the responses.

• **Section 4.3** applies the results of the Web Survey quantitatively and presents how these were tested in a structural equation model. This Section presents fundamental findings of the GLC Model as proposed by the researcher.

![Figure 4.2 – Structure of Chapter 4](source: Developed for this Research)

• **Section 4.4** triangulates the views of the Focus Group with the responses of the web survey, and

• **Section 4.5** notes that no unplanned data or findings emerged from this research.

• **Section 4.6** concludes the Chapter with a summary.
4.1.1 The Focus Group Meeting

The Focus Group meeting convened 10 participants all of whom were actively involved in Corporate Responsibility and Sustainability in Malaysia. Within the group were ‘Practitioners’, ‘Managers’, ‘Experts’, ‘Regulators’ and ‘Knowledgeable Persons’.

To ensure that the opinions of the individuals solicited were both relevant and valid, each participant was pre-qualified according to the criteria shown in Table 4.1.

**Table 4.1 – Qualification of Focus Group Participants**

<table>
<thead>
<tr>
<th>Category</th>
<th>Focus Group Participants Were Qualified As</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Practitioners</strong></td>
<td>Individuals practicing Sustainability or CSR as part of their job within a Malaysian GLC.</td>
</tr>
<tr>
<td><strong>Managers</strong></td>
<td>Individuals responsible for Sustainability or CSR in a Malaysian GLC.</td>
</tr>
<tr>
<td><strong>Experts</strong></td>
<td>Independent consultants advising GLCs in Malaysia on managing Sustainability or CSR.</td>
</tr>
<tr>
<td><strong>Regulators</strong></td>
<td>Policymakers in Government or a Statutory or Regulating Body (e.g. the Securities Commission or Bursa Malaysia) for GLCs in Malaysia.</td>
</tr>
<tr>
<td><strong>Knowledgeable Persons</strong></td>
<td>Individuals who are thought-leaders or academics in Sustainability or CSR and working in Malaysia.</td>
</tr>
</tbody>
</table>

*Source: Developed for this Research*

4.1.2 The Web Survey

The Web Survey gathered information from 214 participants. The participants were coded into five groups using the same categories as the Focus Group. The invitees to the Web Survey were pre-qualified according to the criteria shown in Table 4.2. However, as the population of individuals directly involved with GLC-specific CSR or Sustainability is limited in Malaysia, the original Focus Group category definitions were widened to accommodate involvement in or with any MNC or public-listed company in Malaysia.
TABLE 4.2 – QUALIFICATION OF WEB SURVEY PARTICIPANTS

<table>
<thead>
<tr>
<th>Category</th>
<th>Internet Web Survey Participants Were Qualified As</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Group A) Practitioners</td>
<td>Individuals practicing Sustainability or CSR as part of their job within a GLC, MNC or public-listed company in Malaysia.</td>
</tr>
<tr>
<td>(Group B) Managers</td>
<td>Individuals responsible for Sustainability or CSR in a GLC, MNC or public-listed company in Malaysia.</td>
</tr>
<tr>
<td>(Group C) Experts</td>
<td>Independent consultants advising GLCs, MNCs or public-listed companies in Malaysia on managing Sustainability or CSR.</td>
</tr>
<tr>
<td>(Group D) Regulators</td>
<td>Policymakers in Government or working in a Statutory or Regulating Body (e.g. the Securities Commission or Bursa Malaysia) for GLCs, MNCs or public-listed companies in Malaysia.</td>
</tr>
<tr>
<td>(Group E) Knowledgeable Persons</td>
<td>Individuals who are thought-leaders or academics in Sustainability or CSR and working in Malaysia.</td>
</tr>
</tbody>
</table>

Source: Developed for this Research

Based on these groupings, a combination of judgmental and quota sampling was used to compile a list of 300 potential respondents pre-qualified by Group definition. Invitations to participate in the Web Survey were issued in April 2011 and, as shown in Table 4.3 there was a 71.3% response rate.

A Likert-scale was used to measure the Web Survey responses. Scores of ‘1’ to ‘5’ were assigned, respectively, to responses ‘Strongly Agree’, ‘Agree’, ‘Neutral/No Opinion’, ‘Disagree’ and ‘Strongly Disagree’. An additional response, ‘Don’t Know’, was assigned the score ‘6’.

TABLE 4.3 – SUMMARY OF RESPONSES

<table>
<thead>
<tr>
<th>Group</th>
<th>Category</th>
<th>Invited</th>
<th>Responded</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Practitioners</td>
<td>80</td>
<td>44</td>
<td>20.6%</td>
</tr>
<tr>
<td>B</td>
<td>Managers</td>
<td>80</td>
<td>64</td>
<td>29.9%</td>
</tr>
<tr>
<td>C</td>
<td>Experts</td>
<td>50</td>
<td>39</td>
<td>18.2%</td>
</tr>
<tr>
<td>D</td>
<td>Regulators</td>
<td>40</td>
<td>22</td>
<td>10.3%</td>
</tr>
<tr>
<td>E</td>
<td>Knowledgeable Persons</td>
<td>50</td>
<td>45</td>
<td>21.0%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>300</td>
<td>214</td>
<td>71.3%</td>
</tr>
</tbody>
</table>

Source: Developed for this Research

The quantitative data yielded by the Web Survey was analysed descriptively. Additionally, the data was used to test the model proposed by the researcher using a structural equation model.
The process of data analysis in this research, as detailed in Chapter 4, was done in two stages:

For the qualitative data gathered from the Focus Group the researcher used a three-step approach. Guided by Neuman (2006), the data was first reduced. It was then coded to identify common emerging themes and displayed as matrices to facilitate organisation. Finally, it was analysed to discern patterns from which conclusions were induced on each research proposition.

The responses gathered from the Web Survey were coded and transcribed into a quantitative form that a computer can analyze (Malhotra 1999). The Likert scale responses from each statement in the Web Survey were ascribed numerical values. These values, corresponding to measurement of the constructs, were subjected to a confirmatory factor analysis (CFA) using the AMOS 7.0 Structural Equation Modeling software. Guided by Anderson and Gerbing (1988), the research model was tested in two stages: first by using a CFA to evaluate construct validity; second by performing structural equation analysis to empirically test the research hypotheses.

4.2 Results of the Qualitative Process

4.2.1 Results of Focus Group Discussion

The responses of the Focus Group were collated and analysed in three steps as described in Chapter 3, sub-section 3.5.2.2. The consolidated views of the Focus Group on each question posed are presented in the sub-sections following, together with the findings from the responses to each question in regard to the research propositions.

4.2.1.1 Analysis of Focus Group Question 1

*What do you think about the way Malaysian companies (in particular listed GLCs) currently report on their non-financial performance - specifically on CSR, Sustainability and aspects related to these areas?*

a. The Focus Group agreed that Malaysian listed companies currently did Sustainability or CSR reporting only to comply with Bursa Malaysia requirements. Generally this was limited to the bare minimum, often only a token comment in their Annual Report. Most GLCs merely listed the CSR activities they had done.
b. Consequently the quality of Sustainability or CSR reporting is generally poor, an exercise in 'box ticking', and not adequate to inform or engage stakeholders.

c. Members of the Focus Group from the business side comprising the Practitioners, Managers and Experts, highlighted that there was typically no coverage of material issues, strategic objectives, targets or linkage to core business strategy and processes. The Experts noted an absolute lack in reporting standards. Further, the reporting did not demonstrate or reveal sustainable business practices of companies.

d. While a Practitioner suggested that more progressive companies were trying to use reporting to change the way in which they conduct business; the Focus Group predominantly felt that companies structured reports for PR or communications ‘spin’ and a ‘feel-good’ factor.

e. The Focus Group believed that Malaysian companies did not recognise wider reporting objectives of transparency, accountability and continuous improvement. They suggested GLCs in particular were reluctant to put up ‘too much’ information.

f. Nonetheless, some Practitioners and Knowledgeable Persons highlighted that more companies are at least beginning to recognise the need to report on non-financial performance. With the subject of Sustainability being raised more often in the media, GLCs are compelled to report and are pressured to talk about the non-financial issues which interest investors.

g. Apart from the Regulators, the Focus Group, especially Experts, noted that most Malaysian companies are not able to differentiate between ‘CSR’ and ‘Sustainability’. This lack of understanding is reflected in reports that contain no discussion on how actions impact business, stakeholders, the environment, or any consequences that would be mentioned if a deeper understanding of sustainability existed. However, Experts and Regulators indicated that large MNCs operating in Malaysia, unlike GLCs, have a good feel of what needs to be reported, including how to engage with stakeholders formally.

h. The Expert members of the Focus Group were firmly of the view that no current GLC Sustainability reporting in Malaysia reflected global good practice. They suggested this was due to unclear ownership of non-financial reporting. Top management may also be reluctant to give clear direction or to talk about certain
things openly. Consequently, there is no assurance of reports, hence there is often a perceived lack of credibility, especially if stakeholders are unconvinced that GLCs are reporting with the correct intentions.

i. A Regulator noted that a significant proportion of companies, especially those below RM1bn market capitalization, appeared to show very little interest in Sustainability or CSR.

j. All participants in the Focus Group agreed that any frameworks issued by Bursa Malaysia would be those for companies to comply with.

4.2.1.2 Analysis of Focus Group Question 2

*Is there any reporting framework, standard or model which you know of which could be a useful reference for Malaysian companies (in particular listed GLCs) to base their reporting on?*

a. The Practitioners and Managers in the Focus Group did not see any need or necessity for developing a reporting framework specifically for Malaysian companies to use.

b. The Focus Group noted that Bursa Malaysia has been giving the most focus to the subject of corporate sustainability by building awareness, providing information and training. This has led to Bursa’s frameworks on CSR and Sustainability being the ‘baseline’ for Malaysian companies. It was generally felt that listed companies could not reasonably claim to be unaware of Bursa’s requirements in this area. However, since the use of Bursa’s frameworks are voluntary, companies could choose to not report or over-report in particular areas. This results in many companies emphasizing philanthropy and skews readers’ perspectives to their advantage. As such, the existing Bursa frameworks are vulnerable to issues of integrity. There was clear indication from the Group that these frameworks should be made compulsory.

c. The Focus Group agreed that the Global Reporting Initiative (GRI) is an indicator-based reporting tool that can be customized to suit different sectors. However, it requires effort to first understand the indicators, which indicators should be appropriately applied in each sector, then to determine how to properly report on them. Unlike Bursa Malaysia’s frameworks, GRI is “more complete”. The GRI reporting format would benefit GLCs with foreign investors and stakeholders. However, there is a danger in pursuing the "A" application level as a final goal as
this simply measures completeness of reporting rather than whether or not the company is actually ‘doing good’.

d. The Focus Group identified the AA1000 Stakeholder Engagement Standard (SES) and ISO 26000: Guidance on Social Responsibility as providing important guidance on understanding aspects of Sustainability and CSR. They also help to define what needs to be reported. ISO 26000 is not a “one-size-fits-all” but a holistic approach that can be adapted and applied to different businesses. However, the Focus Group felt that AA1000 and ISO 26000 are not in themselves appropriate tools for sustainability reporting.

e. A Manager mentioned that the International Integrated Reporting Committee is developing guidelines for the ‘next generation’ of integrated financial and sustainability reports.

f. The business participants of the Focus Group comprising the Practitioners, Managers and Experts, noted two specific reporting tools: (1) the Greenhouse Gas (GHG) Protocol for accounting and reporting on GHG impacts; and (2) the London Benchmarking Group (LBG) for recognizing and valuing community initiatives.

g. The Knowledgeable Persons highlighted that the Government developed the Silver Book as a guideline for CSR at GLCs. While The Silver Book is a good starting guide for GLCs it seems to exist more to validate the Government’s efforts rather than design or provide something useful for companies.

h. The Knowledgeable Persons also noted that the United Nations Global Compact (UNGC) Communication on Progress (COP) is a reporting tool. It further noted that the requirements on sustainability are qualifying criteria for small and medium enterprises (SMEs) to be funded by the Government, hence may be considered as ‘indirect’ reporting.

4.2.1.3 Analysis of Focus Group Question 3

*Besides national regulation or voluntary international codes, is there reporting by a particular company or industry sector which you feel warrants significant consideration as a model for Malaysian companies?*
a. The Focus Group agreed that good sustainability reporting is typically industry or sector-specific. Companies report on the material issues affecting their industry sectors. On this basis companies such as BMW, GE and Virgin have developed their own customised reporting frameworks.

b. Many multinational companies (MNC), especially those with complex supply chains spanning multiple countries, have developed reporting styles to reflect their sustainability strategies. Examples are General Electric (GE), British Telecom (BT), Gap, Marks & Spencer and Nike. In addition they constructively engage stakeholders to both understand and validate their sustainability efforts. This feeds into their product innovation and daily operations.

c. Nestle, a leading food and beverage MNC, reports on energy and water consumption, usage of packaging, waste generation, R&D to improve the nutritional value of products, labels to help consumers understand the products they buy, and how it works with local suppliers to improve the quality of supplies and livelihood of local communities.

d. Sectors that have suffered reputational loss are particularly wary: apparel and footwear brands, electronics, heavy industry and pharmaceuticals. Extractive industries, including oil and gas, have a strong focus on environmental safety and health reporting. This extends to heavily regulated sectors such as chemicals.

e. Malaysian industries that are governed by both national and international regulation, such as Malaysia Airlines and Malaysia Airports, are improving reports to engage international stakeholders.

f. The Focus Group also identified reporting in the banking sector as a model.

g. A less formal style of reporting is becoming increasingly apparent both globally and locally. DiGi, a ‘young’ Malaysian mobile operator controlled by Norway’s Telenor, effectively communicates its sustainability message to suit its youthful customer demographic. International examples of this approach include the Walt Disney Company and Coca-Cola.

h. Conversely, companies such as Novo Nordisk and BASF that have embedded sustainability sufficiently into their core business strategy now produce ‘integrated’
financial and sustainability reports. The Focus Group suggested that integrated reporting would not yet be appropriate for Malaysian companies.

i. Notwithstanding the good models available, the Focus Group highlighted that a lack of reporting standards and ‘corporate insecurity’ allows many GLCs to avoid transparency and revealing the impacts and consequences of their actions.

j. The Focus Group concluded that good GLC reports should provide background, rationale, what prompts their thinking on sustainability issues and how they are moving forward.

k. The Focus Group identified specific examples of companies and sectors recognised for effective sustainability reporting. These companies, all with operations in Malaysia, are presented in Table 4.4.

**Table 4.4 – Examples of Effective Sustainability Reporting**

<table>
<thead>
<tr>
<th>Company</th>
<th>Key Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malaysia Airlines, Malaysia Airports, Virgin</td>
<td>Airlines / Airports</td>
</tr>
<tr>
<td>Nike</td>
<td>Apparel</td>
</tr>
<tr>
<td>BMW</td>
<td>Automotive</td>
</tr>
<tr>
<td>HSBC</td>
<td>Banking</td>
</tr>
<tr>
<td>Lafarge, WBCSD Cement Sustainability Initiative</td>
<td>Cement</td>
</tr>
<tr>
<td>Novo Nordisk, BASF</td>
<td>Chemicals</td>
</tr>
<tr>
<td>HP, Samsung, Fuji Xerox</td>
<td>Electronics</td>
</tr>
<tr>
<td>Disney</td>
<td>Entertainment</td>
</tr>
<tr>
<td>Shell, Rio Tinto</td>
<td>Extraction / Oil &amp; Gas</td>
</tr>
<tr>
<td>Nestle, Coca Cola</td>
<td>Food &amp; Beverage</td>
</tr>
<tr>
<td>GE, Samsung</td>
<td>Heavy Industry</td>
</tr>
<tr>
<td>P&amp;G, Body Shop</td>
<td>Personal Care</td>
</tr>
<tr>
<td>Gap, M&amp;S</td>
<td>Retail</td>
</tr>
<tr>
<td>British Telecom, DiGi (Telenor)</td>
<td>Telecommunications</td>
</tr>
</tbody>
</table>

*Source: Findings of the Focus Group for this Research*

4.2.1.4 Analysis of Focus Group Question 4

**Do you think Malaysian companies (in particular listed GLCs) are ready to effectively report on their non-financial performance? (Do they have the right management attitude, organisational structures, people, etc., so that if they were given a reporting framework they could adopt and implement it well?)**
a. All participants of the Focus Group agreed that Malaysian companies were not ready to report effectively on their non-financial performance. The opinions of the Experts were the most grave. They believed that Malaysian companies were either not willing to do so or were restrained – in both cases because they did not understand the need for, or implications of, sustainability reporting. Practitioner and Manager participants said that companies, especially SMEs are not ready, although bigger companies are aware of the need to do so. Regulators echoed the view that SMEs were lagging far behind, but noted that listed companies are required to report to meet Bursa Malaysia’s requirements. While acknowledging that this was currently weak, they opined that most listed companies realise that more effective reporting is required in future. Knowledgeable Persons added that some companies were willing to report effectively, but apparently did not know how to do so.

b. All participants shared a common belief that current non-financial reporting is driven a simplistic “check-box culture”. Malaysian companies are generally yet to understand that reporting is a tool to drive change. Using a framework or indicators simply as a number-crunching exercise without understanding why or for what purpose cannot create a culture of value creation using sustainability. While there are some who are ready and willing, they do not have the expertise to understand or explain the value of sustainability reporting for the longer term.

c. The Focus Group was also unanimous in saying that the challenge is people: Malaysian attitudes in management and operations act against ideas for change. To create a shift in mindsets, top management has to change its understanding, so that a tone is set at the top that cascades down. This requires management to see effective reporting as an important function and to discard existing notions that sustainable practices are only cost centres. The group felt that GLCs in particular have a skewed attitude towards CR and Sustainability.

d. The Expert and Regulator participants remarked that the Silver Book was a guideline on Corporate Responsibility specially created and given to GLCs in 2006. However, the requirement to follow the Silver Book was not enforced and the results are not apparent. Compared to other companies, GLCs have had more help and guidance and should be leading the way. Yet they still struggle with their
stakeholders especially on expectations and obligations arising from their links with the Government.

e. The Group felt that companies will eventually make adjustments internally to integrate sustainability and allow effective reporting. However this would require proper engagement throughout the organisation by building it into the structure and culture. More Malaysian companies are becoming aware of the need for reporting, and many appreciate it will be required in future to manage increasing exposure to reputational risks.

f. One key problem is that in most companies, the sustainability and corporate responsibility agenda is managed by the Corporate Communications function. Typically, this function has no influence over operations and they are not inclined to give due attention on disclosure. Their charter is focused on media, awards and seeking opportunities to showcase – which is very different to effective sustainability reporting.

g. The Group believed that corporate sustainability reporting will be effective when Directors are made responsible for signing off on it under mandatory requirement by Bursa Malaysia. This will include reporting on how sustainability is creating value in the company and driving change. It may require using international standards on valuing traditionally intangible areas to show the progress being made.

h. Due to size and lack of resources, smaller companies are lagging behind bigger companies (MNCs and GLCs), which are already reporting to meet expectations from international buyers and consumers. In this instance the group felt that GLCs should provide assistance and encouragement to SMEs within their supply chain. Adopting a ready international framework would be cost and resource-effective for an SME.
4.2.1.5 Analysis of Focus Group Question 5

If not, what do you think needs to be done to get Malaysian companies, in particular listed GLCs, ready to do so? (For example: more government regulation or incentives, global standards, increased competition, talent, resources, etc.?)

a. All participants of the Focus Group agreed that supply chain pressure would be the biggest influencer for Malaysian companies to do sustainability reporting. They acknowledged that Malaysian companies that are reporting on sustainability have stakeholders such as investors, buyers or consumers from outside Malaysia pressuring them to meet international reporting standards.

b. Some progressive GLCs and other large Malaysian companies have realised that sustainability can offer a factor of differentiation. Competition to export to global markets is the most important driver for Malaysian companies to take reporting seriously.

c. The Regulator participants highlighted that it would be appropriate to match Malaysian requirements for reporting with those in key importing markets, such as the EU and US.

d. The Practitioners, Managers and Experts noted that Government must ensure that incentives are given to promote ‘sustainable choices’, such as ‘true-cost’ pricing of energy and water. The Government should also set an example by procuring only goods and utilities from sustainable sources for all Government buildings and facilities. This, and more tax incentives, would favour Malaysian companies that are practicing sustainability for the longer term and encourage them to report to demonstrate that they are doing so.

e. The Group agreed that the Government, or Bursa Malaysia, could make reporting mandatory, but that does not guarantee it will be done seriously, or that reporting will necessarily lead to more sustainable practices.

f. About half the group mentioned the Bursa Malaysia *Powering Business Sustainability: A Guide for Directors*, but most were not clear on how to apply the guidance it offered.
g. The Regulators and Experts noted that Bursa Malaysia has scheduled a rollout of an ‘Environment, Social & Governance’ (ESG) Index for 2012 that investors may use as an indicator for how listed Malaysian companies comply to ESG issues. Accordingly, the Practitioners and Managers felt the existing Bursa Malaysia frameworks must become more detailed so companies can comply.

h. Finally, the Group believed that effective sustainability reporting would only happen with the buy-in of the right people. Currently that means being driven by the conviction of top management so operational personnel will follow. All levels must be made to understand what the sustainability agenda means to the company. However a new breed of managers is emerging to drive the necessary organisational changes and replace the consultants that have been filling-in so far. The Focus Group felt that new talent has a different set of values, believes sustainability issues are their issues and will not just pay ‘lip service’ but positively embrace change.

4.2.1.6 Applying the Focus Group Findings

As described in Chapter 3, the data from the Focus Group was used in four specific ways:

a. To refine the research model and hypotheses proposed after the Literature Review.

b. To name and define the variables and constructs to be used in a structural equation model to test the research model and its hypotheses.

c. To script the questions to be cast as statements in the Web Survey that would allow the constructs to be tested and thereby confirm or disconfirm the research model.

d. To triangulate responses from the Web Survey.

4.2.2 Descriptive Analysis of Web Survey Responses

The responses of participants in the Web Survey were a rich source of findings. These arose when cross-tabulating the responses against respondents’ Background and Age. The most significant disparities appear to be between the responses of those respondents who classified themselves as Regulators when compared against the other categories, and these are explained in the charts in sub-sections following. The final chart also finds a significant relationship between the respondent categories and the age of respondents within those categories.
4.2.2.1 On ‘Emphasis’ (Question 1)

Responses by category are shown in Figure 4.3. All groups generally agreed that the Government’s policies emphasise the importance of Corporate Sustainability reporting practices by the business community in Malaysia, with Regulators more significantly so.

**Figure 4.3 – Responses to Question 1 on ‘Emphasis’**

Source: Based on Focus Group and Web Survey for this Research

4.2.2.2 On ‘Incentives’ (Question 3)

However, disparities begin to be apparent in Question 3 as shown in Figure 4.4.

**Figure 4.4 – Responses to Q3 on ‘Incentives’**

Source: Based on Focus Group and Web Survey for this Research
Regulators disagree with the idea that Government should provide incentives, and all other groups overwhelmingly agree that they should.

4.2.2.3 On ‘Understanding’ (Question 5)

Responses as shown in Figure 4.5 suggest that the Regulators believe that GLCs understand what Corporate Sustainability means, but the other groups do not share this belief.

**Figure 4.5 – Responses to Q4 on ‘Understanding’**

![Figure 4.5](image)

Source: Based on Focus Group and Web Survey for this Research

4.2.2.4 On ‘Organisation’ (Question 7)

On the question of whether most listed Malaysian GLCs have the required organisational structures and governance frameworks to effectively carry out Corporate Sustainability reporting, the spread of responses as shown in Figure 4.6 suggests that the Regulators believe that GLCs have the required structures in place.

Significantly, the Experts disagreed, perhaps based on their experience in comparing Malaysian GLCs with global MNCs where such structures are already in place. The Practitioners and the Managers also disagreed. This could be due to the Corporate Sustainability reporting function being still in an evolving stage in most companies and as such their own positions, roles and responsibilities to Corporate Sustainability are in a state of flux and transition.
4.2.2.5 On ‘Expectation’ (Question 8)

As shown in Figure 4.7, the percentage of the Regulators who believe that the GLCs understand what stakeholders globally expect is twice that of any other group.

The block of Managers with ‘no opinion’ is noteworthy— unlike the Practitioners, Experts and Knowledgeable Persons, this group has to define what is appropriate to report relative to stakeholders expectations, and this position is not one that they have yet reconciled.
4.2.2.6 On ‘Stakeholders’ (Question 9)

In Figure 4.8 the Regulators agree that GLCs account for views of all their stakeholders in their business outlook. Other groups do not, and the Experts very significantly disagree.

**Figure 4.8 – Responses to Q9 on ‘Stakeholders’**

Source: Based on Focus Group and Web Survey for this Research

4.2.2.7 On ‘Strategy’ (Question 10)

Figure 4.9 shows Regulators think most GLCs consider environmental and social challenges when developing business strategies. Others feel that they do not.

**Figure 4.9 – Responses to Q10 on ‘Strategy’**

Source: Based on Focus Group and Web Survey for this Research
4.2.2.8 On ‘Opportunity’ (Question 11)

Figure 4.10 shows all groups, Regulators in particular, agree that most GLCs see potential business opportunity in being good global corporate citizens.

**Figure 4.10 – Responses to Q11 on ‘Opportunity’**

Source: Based on Focus Group and Web Survey for this Research

4.2.2.9 On ‘Global’ (Question 12)

Do most listed Malaysian GLCs manage all their global business operations responsibly enough to report on them as part of their Corporate Sustainability?

**Figure 4.11 – Responses to Q11 on ‘Global’**

Source: Based on Focus Group and Web Survey for this Research
Figure 4.11 suggests that the Practitioners, Managers and Regulators generally believe that they are managing their global business operations responsibly. However, the Experts and the Knowledgeable Persons disagree. Experts and Knowledgeable Persons are more attuned to global expectations by way of their international consultancies and access to current thinking through academia. As such, it can be surmised that while many Malaysian companies and the Government think they are managing their global operations well, these may only be relative to Malaysian standards.

4.2.2.10 On ‘Culture’ (Question 13)

Figure 4.12 shows a significant disparity between the Regulators who believe that the organisation and culture of most listed Malaysian GLCs is conducive to practicing transparent Corporate Sustainability reporting, and all the other groups who largely take a contrary position.

**Figure 4.12 – Responses to Q13 on ‘Culture’**

Source: Based on Focus Group and Web Survey for this Research

4.2.2.11 On ‘Training’ (Question 15)

Figure 4.13 presents the Regulator’s belief that most listed Malaysian GLCs provide sufficient training for staff at all levels to build awareness and skills in Corporate Sustainability and reporting. In contrast, the Managers, who are likely to be accountable for building awareness and skills in their organisations and reporting, and the Experts, who are likely to be consultants used by the Managers, clearly disagree. Some Practitioners
strongly agree and these are likely to be those who have benefited from training in the few companies who place importance on Corporate Sustainability reporting.

**Figure 4.13 – Responses to Q15 on ‘Training’**

Source: Based on Focus Group and Web Survey for this Research

4.2.2.12 On ‘Resources’ (Question 16)

Have most listed Malaysian GLCs allocated financial and other necessary resources for enhancing their Corporate Sustainability and reporting?

**Figure 4.14 – Responses to Q16 on ‘Resources’**

Source: Based on Focus Group and Web Survey for this Research

Figure 4.14 reveals that the Practitioners and the Knowledgeable Persons are similar in their opinions. However, it is unlikely that they are involved in corporate budgeting. The
Experts disagreed. This could be due to companies tending to build internal capacity rather than outsourcing reporting. The agreements registered by the Managers and the Regulators suggest that GLCs are being supported by the Government to make the resources available to build the necessary capacity internally.

4.2.3 Relationship Between Categories and Age of Respondents

Fig 4.15 captures a significant relationship between the respondent categories and the age of respondents within those categories. 80% of respondents who declared themselves as Practitioners were under the age of 30; over 70% of respondents between the ages of 31 and 50 were Managers; while the Regulators and the Knowledgeable Persons were generally above 40, with the greater part above 50.

**Figure 4.15 – Relationship Between Respondent Categories & Respondent Age**

This suggests that the responses of the Regulators and the Knowledgeable Persons reflect the perspective of older individuals; whereas those from the other respondent groups, particularly Practitioners, are from a younger demographic. This difference may be significant in explaining the disparity between the responses from these categories.
4.3 Results of Quantitative Process

4.3.1 Profiles of Web Survey Respondents

The Web Survey garnered 214 valid responses. As shown in Table 4.5 almost 40% of the respondents were female; almost 70% were between the ages of 31-50; and over 50% classified themselves as Practitioners or Managers for CSR and/or Sustainability in their organisations.

Table 4.5 – Profile of Respondents to Web Survey

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid %</th>
<th>Cumulative %</th>
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<table>
<thead>
<tr>
<th>Age</th>
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<td>20-30</td>
<td>20</td>
<td>9.3</td>
<td>9.3</td>
<td>9.3</td>
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<td>31-40</td>
<td>71</td>
<td>33.2</td>
<td>33.2</td>
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<td>41-50</td>
<td>75</td>
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<td>Above 50</td>
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<table>
<thead>
<tr>
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<th>Percent</th>
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<th>Cumulative %</th>
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<td>Practitioner</td>
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<td>20.6</td>
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<td>Knowledgeable</td>
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<th>Valid %</th>
<th>Cumulative %</th>
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<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: From Web Survey for this Research

This suggests that the Web Survey respondents were primarily mid-career professionals actively involved in CSR and/or Sustainability in Malaysia and the sample was not biased toward men over women in these positions. All respondents declared an understanding of the subject of research.
4.3.2 Reliability of the Sample Data

A critical aspect in the evaluation of a fundamental theory in any management concept such as effective sustainability reporting is the development of good measures to obtain valid and reliable estimates of the constructs of interest. If reliability and validity of the variables can be established, then it may be determined that they actually measure what they aim to measure.

The constructs for this research were defined in Table 3.10 ‘Defining Constructs for SEM’, Chapter 3, Sub-section 3.6.1. The reliability of the indicators specifically defining each construct is shown in tables in Sub-sections 4.3.2.1 to 4.3.2.4 evaluating the reliability of each variable.

In each case the statistical reliability of each variable was assessed before being subjected to validation analysis (Sureshchander et al. 2002). The internal consistency method was employed for this being considered the most effective for field studies (Nunnally 1978) and using Cronbach’s alpha as a reliability coefficient (Cronbach1951). Cronbach’s alpha values of approximately 0.90 can be considered ‘excellent’, values of 0.80 as ‘good’, and values between 0.60 and 0.70 as ‘adequate’. Values below 0.50 are considered unreliable and should be avoided, as they suggest that at least one-half of the observed variance may be due to random error (Bentler & Chou 1987; Kline 1998).

The alpha values for all constructs in this research: Promotion, Challenge, Effectiveness and Ability, as shown in Tables 4.6 to 4.9, were 0.853, 0.855, 0.777 and 0.878 respectively. These values ranging from very adequate to very good demonstrate that the constructs are internally consistent and are reliable.
### 4.3.2.1 Reliability of ‘Promotion’

**Table 4.6 – Reliability Measures for ‘Promotion’ Variable**

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<tr>
<th>Case Processing Summary</th>
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(a) Listwise deletion based on all variables in the procedure

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**Reliability Statistics**

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**Item - Total Statistics**

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*Source: Developed for this Research*
4.3.2.2 Reliability of ‘Challenges’

**Table 4.7 – Reliability Measures for ‘Challenges’ Variable**

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<tr>
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(a) Listwise deletion based on all variables in the procedure

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**Reliability Statistics**

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**Item - Total Statistics**

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<th>Scale Variance if Item Deleted</th>
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<tr>
<td>Impacts</td>
<td>11.76</td>
<td>4.849</td>
<td>.696</td>
<td>.817</td>
</tr>
<tr>
<td>Organisation</td>
<td>11.79</td>
<td>4.730</td>
<td>.670</td>
<td>.827</td>
</tr>
<tr>
<td>Expectation</td>
<td>11.74</td>
<td>4.652</td>
<td>.733</td>
<td>.801</td>
</tr>
</tbody>
</table>

Source: Developed for this Research
4.3.2.3 Reliability of ‘Ability’

Table 4.8 – Reliability Measures for ‘Ability’ Variable

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>214</td>
<td>100.0</td>
</tr>
<tr>
<td>Excluded (a)</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>214</td>
<td>100.0</td>
</tr>
</tbody>
</table>

(a) Listwise deletion based on all variables in the procedure

<table>
<thead>
<tr>
<th>Cronbach’s Alpha</th>
<th>N of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>.878</td>
<td>4</td>
</tr>
</tbody>
</table>

Scale: ALL VARIABLES

<table>
<thead>
<tr>
<th>Item</th>
<th>Mean</th>
<th>Std Deviation</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Culture</td>
<td>3.87</td>
<td>.855</td>
<td>214</td>
</tr>
<tr>
<td>Hiring</td>
<td>3.92</td>
<td>.903</td>
<td>214</td>
</tr>
<tr>
<td>Training</td>
<td>3.89</td>
<td>.951</td>
<td>214</td>
</tr>
<tr>
<td>Resources</td>
<td>3.92</td>
<td>.889</td>
<td>214</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Item</th>
<th>Scale Mean if Item Deleted</th>
<th>Scale Variance if Item Deleted</th>
<th>Corrected Item-Total Correlation</th>
<th>Cronbach’s Alpha if Item Deleted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Culture</td>
<td>11.73</td>
<td>5.795</td>
<td>.720</td>
<td>.850</td>
</tr>
<tr>
<td>Hiring</td>
<td>11.68</td>
<td>5.579</td>
<td>.726</td>
<td>.848</td>
</tr>
<tr>
<td>Training</td>
<td>11.71</td>
<td>5.493</td>
<td>.694</td>
<td>.862</td>
</tr>
<tr>
<td>Resources</td>
<td>11.69</td>
<td>5.352</td>
<td>.813</td>
<td>.813</td>
</tr>
</tbody>
</table>

Source: Developed for this Research
4.3.2.4 Reliability of ‘Effectiveness’

**Table 4.9 – Reliability Measures for ‘Effectiveness’ Variable**

<table>
<thead>
<tr>
<th>Case Processing Summary</th>
<th>N</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>214</td>
<td>100.0</td>
</tr>
<tr>
<td>Excluded (a)</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>Total</td>
<td>214</td>
<td>100.0</td>
</tr>
</tbody>
</table>

(a) Listwise deletion based on all variables in the procedure

<table>
<thead>
<tr>
<th>Cronbach’s Alpha</th>
<th>N of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>.777</td>
<td>4</td>
</tr>
</tbody>
</table>

Scale: ALL VARIABLES

<table>
<thead>
<tr>
<th>Item</th>
<th>Mean</th>
<th>Std Deviation</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stakeholders</td>
<td>3.86</td>
<td>1.049</td>
<td>214</td>
</tr>
<tr>
<td>Strategy</td>
<td>3.91</td>
<td>1.042</td>
<td>214</td>
</tr>
<tr>
<td>Opportunity</td>
<td>3.85</td>
<td>1.057</td>
<td>214</td>
</tr>
<tr>
<td>Global</td>
<td>3.82</td>
<td>1.064</td>
<td>214</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Item</th>
<th>Scale Mean if Item Deleted</th>
<th>Scale Variance if Item Deleted</th>
<th>Corrected Item-Total Correlation</th>
<th>Cronbach’s Alpha if Item Deleted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stakeholders</td>
<td>11.58</td>
<td>6.414</td>
<td>.588</td>
<td>.720</td>
</tr>
<tr>
<td>Strategy</td>
<td>11.52</td>
<td>6.410</td>
<td>.596</td>
<td>.716</td>
</tr>
<tr>
<td>Opportunity</td>
<td>11.59</td>
<td>6.497</td>
<td>.562</td>
<td>.734</td>
</tr>
<tr>
<td>Global</td>
<td>11.61</td>
<td>6.398</td>
<td>.578</td>
<td>.725</td>
</tr>
</tbody>
</table>

Source: Developed for this Research
4.3.3 Confirmatory Factor Analysis of Propositions

The CFA models in SEM have no causal paths (straight arrows in the diagram) connecting the latent variables (independent or dependent variable). The latent variables may be allowed to correlate (oblique factors) or be constrained to 0 covariance (orthogonal factors). The CFA analysis in SEM usually focuses on analysis of the error terms of the indicator variables. In a standard CFA model each indicator is specified to load only on one factor, measurement error terms are specified to be uncorrelated with each other, and all factors are allowed to correlate with each other. One-factor standard models are identified if the factor has three or more indicators (Hair et. al. 2010). Multi-factor standard models are identified if each factor has two or more indicators.

In the CFA, the chi-square is significant in the presence of a large sample size but based on the Maximum Likelihood Indicators (MLI) of factor loadings, goodness-of-fit indexes and normalized residuals, all model fit indices showed a good fit between the model and data. According to Gerbing and Anderson’s (1988) paradigm, all measures survived an exploratory and confirmatory factor analysis and also have a uni-dimensional property.

4.3.3.1 CFA on Proposition 1: ‘Promotion’

The result of CFA on Promotion is shown in Table 4.10.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Constructs (n=4)</th>
<th>Standardized Regression Weight</th>
<th>Model Fit Indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td>PROMOTION</td>
<td>Emphasis</td>
<td>0.66</td>
<td>CMIN (X2) 2.011</td>
</tr>
<tr>
<td></td>
<td>Policy</td>
<td>0.85</td>
<td>DF 2</td>
</tr>
<tr>
<td></td>
<td>Incentive</td>
<td>0.68</td>
<td>CMIN/DF 1.005</td>
</tr>
<tr>
<td></td>
<td>Framework</td>
<td>0.83</td>
<td>P VALUE 0.366</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>GFI</th>
<th>RMSEA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Source: Developed for this Research</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The result takes into account the actual factor loadings rather than assuming that each item is equally weighted in the composite load determination. The model fit indices showed that the data fit of the measurement and model fit perfectly (chi-square/df = 1.005,
P=0.366, GFI=0.995, and RMSEA=0.005). All other fit indices are at acceptable levels indicating a good fit of the variable of Promotion. The measurement model is shown in the Figure 4.16.

CFA of Promotion is then conducted on the four items. The results show that factor loading exceeded or was greater than 0.5. The data fitted the model richly as displayed by the measurement model fit indices noted in Figure 4.16.

**Figure 4.16- CFA of Promotion (Proposition 1)**

4.3.3.2 CFA on Proposition 2: ‘Challenges’

The result of CFA on Challenges is shown in Table 4.11.

**Table 4.11 - Goodness of Fit of Challenges**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Constructs (n=4)</th>
<th>Standardized Regression Weight</th>
<th>Model Fit Indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHALLENGES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Understanding</td>
<td>0.76</td>
<td>CMIN (X2) 4.133</td>
</tr>
<tr>
<td></td>
<td>Impacts</td>
<td>0.77</td>
<td>DF 2</td>
</tr>
<tr>
<td></td>
<td>Organisation</td>
<td>0.74</td>
<td>CMIN/DF 2.066</td>
</tr>
<tr>
<td></td>
<td>Expectation</td>
<td>0.82</td>
<td>P VALUE 0.127</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>GFI 0.990</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>RMSEA 0.071</td>
</tr>
</tbody>
</table>

The result takes into account the actual factor loadings rather than assuming that each item is equally weighted in the composite load determination. The model fit indices showed that the data fit of the measurement and model fit perfectly (chi-square/df = 2.066, P=0.127, GFI=0.990, and RMSEA=0.071). All other fit indices are at the acceptable levels indicating a good fit of the variable of Challenges. The measurement model is shown in the Figure 4.17.
CFA of Challenges is then conducted on the four items. The results show that factor loading exceeded or was greater than 0.5. The data fitted the model richly as displayed by the measurement model fit indices noted in Figure 4.17.

FIGURE 4.17- CFA OF CHALLENGES (PROPOSITION 2)

4.3.3.3 CFA on Proposition 3: ‘Ability’

Furthermore, the result of CFA on Ability is shown in Table 4.12.

TABLE 4.12 - GOODNESS OF FIT OF ABILITY

<table>
<thead>
<tr>
<th>Variable</th>
<th>Constructs (n=4)</th>
<th>Standardized Regression Weight</th>
<th>Model Fit Indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABILITY</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Culture</td>
<td>0.78</td>
<td>CMIN (X2) 0.763</td>
</tr>
<tr>
<td></td>
<td>Hiring</td>
<td>0.78</td>
<td>DF 2</td>
</tr>
<tr>
<td></td>
<td>Training</td>
<td>0.75</td>
<td>CMIN/DF 0.382</td>
</tr>
<tr>
<td></td>
<td>Resources</td>
<td>0.90</td>
<td>P VALUE 0.683</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>GFI 0.998</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>RMSEA 0.000</td>
</tr>
</tbody>
</table>

The result takes into account the actual factor loadings rather than assuming that each item is equally weighted in the composite load determination. The model fit indices showed that the data fit of the measurement and model fit perfectly (chi-square/df = 0.763, P=0.683, GFI=0.998, and RMSEA=0.000). All other fit indices are at acceptable levels indicating a good fit of the variable of Ability. The measurement model is shown in the Figure 4.18.

CFA of Ability is then conducted on the four items. The results show that factor loading exceeded or was greater than 0.5. The data fitted the model richly as displayed by the measurement model fit indices as noted in Figure 4.18.
4.3.3.4 CFA on Proposition 4: ‘Effectiveness’

The result of CFA on Effectiveness is shown in Table 4.13.

**TABLE 4.13 - GOODNESS OF FIT OF EFFECTIVENESS**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Constructs (n=4)</th>
<th>Standardized Regression Weight</th>
<th>Model Fit Indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td>EFFECTIVENESS</td>
<td>Stakeholders</td>
<td>0.69</td>
<td>CMIN (X2) 0.492</td>
</tr>
<tr>
<td></td>
<td>Strategy</td>
<td>0.71</td>
<td>DF 2</td>
</tr>
<tr>
<td></td>
<td>Opportunity</td>
<td>0.65</td>
<td>CMIN/DF 0.246</td>
</tr>
<tr>
<td></td>
<td>Global</td>
<td>0.68</td>
<td>P VALUE 0.782</td>
</tr>
</tbody>
</table>

The result takes into account the actual factor loadings rather than assuming that each item is equally weighted in the composite load determination. The model fit indices showed that the data fit of the measurement and model fit perfectly (chi-square/df = 0.246, P=0.782, GFI=0.999, and RMSEA=0.000). All other fit indices are at the acceptable levels indicating a good fit of the variable of Effectiveness. The measurement model is shown in the Figure 4.19.

CFA of Effectiveness is then conducted on the four items. The results show that factor loading exceeded or was greater than 0.5. The data fitted the model richly as displayed by the measurement model fit indices as noted in Figure 4.19.

**FIGURE 4.19 -CFA OF EFFECTIVENESS (PROPOSITION 4)**
4.3.4 Generated Structural Equation Model

A structural equation model (SEM) in this study is a complete path model which can be depicted in a path diagram. It differs from simple path analysis in that all variables are latent variables measured by multiple indicators. These have associated error terms in addition to the residual error factor associated with the latent dependent variable. Figure 4.20 shows a SEM for factors contributing to effectiveness sustainability reporting by Malaysian GLCs, or the ‘GLC Model’.

The SEM diagram has certain standard elements: latents are ellipses, indicators are rectangles, error and residual terms are circles, single-headed arrows are causal relations (note causality goes from a latent to its indicators), and double-headed arrows are correlations between indicators or between exogenous latents. Path coefficient values may be placed on the arrows from latents to indicators, or from one latent to another, or from an error term to an indicator, or from a residual term to a latent (Bryne 2010).

The implied covariance matrix was computed from the path coefficients in the model using the multiplication rule in path analysis: i.e. the effect size of a path is the product of its path coefficients. The multiplication rule for any given model generates the implied matrix, from which the actual sample covariance matrix is subtracted, yielding the residual matrix (Hair et al. 1998). The smaller the value in the residual matrix, the better fitting is the model.
Jaccard and Wan (1996) suggested that regression may be preferred to structural equation modeling when there are substantial departures from the SEM assumptions of multivariate normality of the indicators and/or small sample sizes, and when measurement error is less of a concern because the measures have high reliability. Figure 4.20 shows the Generated Model of Promotion, Ability and Challenges as predictors on Effectiveness. The Generated Model confirmed the influence of Ability (Factor Loading = 0.68) as being greater than Promotion (Factor Loading = 0.23) on Effectiveness in the GLC Model.

4.3.5 Fundamental Findings on GLC Model

Furthermore, the re-specified model in Figure 4.21 confirmed the final model of the hypothesized model of GLC. The significant goodness of fit indexes confirmed the significant loadings of the measurements, the low level of common and unique error, and shows the interaction among predictors on endogenous variables.
The final structural model output displayed in Figure 4.21 shows that the model explains a substantial portion of the variance in all the endogenous variables (square multiple correlations); Challenges (56%) and Effectiveness (71%).

This study succeeds in producing a fundamental finding of Challenges as being a mediating variable on the relationship between Promotion and Ability on Effectiveness of sustainability reporting by GLCs.

**Figure 4.21 - Re-Specified Model of GLC**

Based on the CFA to Final Structural Model result, researcher observed that the factor loadings of all observed variables or items are adequate, ranging from the value of 0.6, 0.7 and 0.8. The factor loadings or regression estimates of latent to observed variables are above 0.50. This indicates that most of the constructs conform to the convergent validity test (Hair et al. 1998). The goodness of fit indices for the two constructs of GLC as
exogenous variables (*Promotion* and *Ability*) and mediating variable of *Challenges* has confirmed interaction on the *Effectiveness* of the GLC Model in the context of Malaysia.

### 4.4 Triangulation of The Focus Group and Web Survey Findings

To give greater depth to the findings, the content analysis of the Focus Group was triangulated against the measured responses from the Web Survey as shown in Table 4.14 below. The researcher sought to explore if the opinions of the Focus Group were corroborated by the responses given by participants in the Web Survey.

This analysis revealed that the respondents to the Web Survey very significantly agreed with the Focus Group on questions 1, 2 and 3, in that: the Government is emphasizing the importance of Corporate Sustainability reporting; a national policy on reporting would encourage companies to include sustainability in their business strategy; and that incentives should be provided by the Government to compel companies to report.

The Web Survey respondents were aligned to the Focus Group thinking on questions 5, 7, 9, 10, 11, 13 and 15. Both respondents and the Focus Group believed that GLCs do not understand what ‘Corporate Sustainability’ means; that they do not have organisational structures and governance frameworks to carry out reporting; that they do not take account of the views of all their stakeholders in their business outlook; and that they do not consider environmental and social challenges when developing business strategies. However, they did believe that GLCs do see current and future business opportunity in being good global corporate citizens; although they did not believe that the organisation and culture of GLCs is conducive to practicing transparent Corporate Sustainability reporting; neither that GLCs provide sufficient training for staff in Corporate Sustainability and reporting.

The views of the Web Survey diverged from the Focus Group on question 6. While the Focus Group disagreed with the idea that most GLCs aimed to report annually on the EES impacts of their operations, the survey respondents believed that they did.

Questions 8, 12 and 14 suggested general but not strong agreement between the Web Survey and the Focus Group on whether GLCs understand what stakeholders globally will expect from reporting; whether GLCs manage global business operations responsibly enough to report on Corporate Sustainability; and whether GLCs promote hiring of experts and knowledge workers to develop their Corporate Sustainability and reporting.
### Table 4.14: Triangulating Focus Group and Web Survey Responses

<table>
<thead>
<tr>
<th>Survey Question / Statement</th>
<th>FG</th>
<th>Survey</th>
</tr>
</thead>
<tbody>
<tr>
<td>1  GoM policies emphasise the importance of CS reporting by the business community in MY.</td>
<td>Agree 71%</td>
<td>Agree 71%</td>
</tr>
<tr>
<td>2  National CS reporting policy will encourage MY companies to include CS in business strategy.</td>
<td>Agree 92%</td>
<td>Agree 92%</td>
</tr>
<tr>
<td>3  GoM should provide incentives to MY companies to carry out CS reporting.</td>
<td>Agree 78%</td>
<td>Agree 78%</td>
</tr>
<tr>
<td>4  Silver Book provides an appropriate framework and tools for MY companies to do CS reporting.</td>
<td>Disagree 40%</td>
<td>Disagree 40%</td>
</tr>
<tr>
<td>5  MY GLCs understand what ‘Corporate Sustainability’ means.</td>
<td>Disagree 53%</td>
<td>Disagree 53%</td>
</tr>
<tr>
<td>6  MY GLCs aim to report annually on the EES impacts of their operations.</td>
<td>Disagree 61%</td>
<td>Disagree 61%</td>
</tr>
<tr>
<td>7  MY GLCs have organisational structures and governance frameworks to carry out CS reporting.</td>
<td>Disagree 64%</td>
<td>Disagree 64%</td>
</tr>
<tr>
<td>8  MY GLCs understand what stakeholders globally will expect from CS reporting.</td>
<td>Disagree 46%</td>
<td>Disagree 46%</td>
</tr>
<tr>
<td>9  MY GLCs take account of the views of all their stakeholders in their business outlook.</td>
<td>Disagree 59%</td>
<td>Disagree 59%</td>
</tr>
<tr>
<td>10 MY GLCs consider environmental and social challenges when developing business strategies.</td>
<td>Disagree 58%</td>
<td>Disagree 58%</td>
</tr>
<tr>
<td>11 MY GLCs see current and future business opportunity in being good global corporate citizens.</td>
<td>Agree 67%</td>
<td>Agree 67%</td>
</tr>
<tr>
<td>12 MY GLCs manage global business operations responsibly enough to report on CS.</td>
<td>Agree 42%</td>
<td>Agree 42%</td>
</tr>
<tr>
<td>13 The organisation and culture of MY GLCs is conducive to practicing transparent CS reporting.</td>
<td>Disagree 64%</td>
<td>Disagree 64%</td>
</tr>
<tr>
<td>14 MY GLCs promote hiring of experts and knowledge workers to develop their CS and reporting.</td>
<td>Agree 45%</td>
<td>Agree 45%</td>
</tr>
<tr>
<td>15 MY GLCs provide sufficient training for staff in CS and reporting.</td>
<td>Disagree 65%</td>
<td>Disagree 65%</td>
</tr>
<tr>
<td>16 MY GLCs have allocated financial and other resources for their CS and reporting.</td>
<td>Disagree 41%</td>
<td>Disagree 41%</td>
</tr>
</tbody>
</table>

*Source: Based on Focus Group and Web Survey for this Research*

Questions 4 and 16 offered the opportunity for further analysis as the results of the Web Survey clearly neither agreed nor disagreed with the opinion of the Focus Group.

Question 4 asked if the Silver Book provided an appropriate framework and tools for Malaysian companies to do Corporate Sustainability reporting. The Focus Group did not agree that it did, but the Web Survey slightly agreed. However, combining ‘No Opinion’
and ‘Disagree’ answers from the Web Survey delivers a higher result than ‘Agree’. The Silver Book a guide for Malaysian corporations, has been available since 2006, ‘no opinion’ responses may reflect negatively on whether the Silver Book is of actual value to Malaysian corporations.

Question 16 revealed that while the Focus Group believed that GLCs have not allocated financial and other resources for their Corporate Sustainability and reporting. A slight majority of web survey respondents believed that they had. This may reflect the knowledge of some responding Practitioners and Managers who are aware that the companies for which they work have provided budgets for Corporate Sustainability work and reporting in the near future, although these allocations have not as yet translated into actual spending.

4.5 Summary

This Chapter analysed the primary data collected from the Focus Group and the Web Survey. It explained how the findings from the content analysis of the Focus Group outputs were used to refine the theoretical framework of the research model formed after the Literature Review and verify the hypotheses it proposed. The Focus Group findings also contributed to naming and defining the variables and constructs used to develop a structural equation model (SEM) to test the research model and its hypotheses, as well as to script the specific questions in the Web Survey. Findings derived from cross-tabulation of the Web Survey responses by respondents’ Background and Age revealed that these were significant factors in the way a participant responded.

The quantitative data provided by the Web Survey was subjected to descriptive statistics, then tested for reliability and validity and, having been found to be so, then fed into the SEM. Confirmatory factor analyses (CFA) that were carried out for every variable and each of its component constructs. This confirmed that the variables were relevant and appropriate for testing in the SEM.

SEM created a Generated Model of Promotion, Ability and Challenges as predictors on Effectiveness and confirmed the influence of Ability as being greater than Promotion on Effectiveness in the GLC Model.
Further testing and refinement justified a re-specification of the model which succeeded in producing a fundamental finding of Challenges as being a mediating variable on the relationship between Promotion and Ability on Effectiveness of sustainability reporting by GLCs.

The Chapter also presented the triangulation of the opinions of the Focus Group with the responses from the Web Survey. 62% of the Web Survey responses were directly aligned with the Focus Group opinions; and 31.25% were somewhat aligned. As opposed to the Web Survey, the Focus Group did not believe that GLCs sincerely aspire to report transparently on the environmental, social and economic impacts of their operations. Chapter 5, following, considers conclusions that may be derived for each research proposition and how these address the research problem. It also notes the theoretical implications of the findings and how these may be applied in policymaking and practice.
5 Chapter 5 – Research Conclusions & Implications

5.1 Introduction

Chapter 1 introduced the research problem “What are the critical success factors for effective sustainability reporting by multinational listed Malaysian Government-Linked Companies (GLCs)?” It justified the need for the research on the basis that the existing international frameworks for sustainability reporting that are used by Western MNCs, may not be appropriate for Malaysian GLCs. They may require modulation to address and reflect the national, political, social economic and environmental context of Malaysia. Furthermore, their suitability also depend on whether Malaysian GLCs have the appropriate corporate strategies, knowledge, resources, organisational structures, the tools and processes for measuring and reporting on sustainability.

Chapter 2, a literature review, explored the background theories of Corporate Governance and Sustainability. It identified the frameworks and tools being used internationally for Corporate Responsibility & Sustainability Reporting and discussed whether these are impacting GLCs in Malaysia. The Chapter confirmed the relevance of the research problem by identifying gaps in the existing body of knowledge in sustainability reporting by Malaysian GLCs. The research questions, propositions and a preliminary Research Model were formulated for testing by this research.

Chapter 3 detailed the research methodology and the design. It justified the need for a two stage mixed qualitative and quantitative approach to accommodate both exploratory and descriptive research components. The Chapter then articulated the use of a Focus Group to gather qualitative information, for refining the Research Model, and developing questions for an e-Survey to test the Research Model. The Chapter also addressed issues relating to reliability, validity and ethical considerations. Issues pertaining to the research were addressed.

Chapter 4 presented the methodological relationship between Chapters 2, 3 and 4. It analysed the primary data collected from the Focus Group and the e-Survey. It detailed how the findings from the Focus Group were used to refine the research model which was then tested using a structural equation model.
This Chapter has eight sections as shown in Figure 5.1.

- **Section 5.2** presents the conclusions drawn on each of the research propositions based on findings from the secondary and primary data collected and iterated in Chapters 2 and 4.

**Figure 5.1 – Structure of Chapter 5**

- **Section 5.3** focuses on how the findings of the study address the Research Problem;
- **Section 5.4** articulates the contribution of this study through the tested GLC Model.
- **Section 5.5** discusses how this research may be used by policy-makers to allow GLCs to report more effectively on corporate sustainability, and for GLCs as corporate practitioners to do so.
- **Section 5.6** presents the limitations of this research.
- **Section 5.7** suggests opportunities for further research on the issue of corporate sustainability reporting.
5.2 Conclusions on Research Propositions

This section presents the conclusions drawn from analyzing the data collected about the four research propositions.

5.2.1 Conclusions About Research Proposition 1

The first research proposition was stated as: “The Government of Malaysia actively encourages Malaysian companies to report on Corporate Sustainability”.

The literature review revealed that the behaviour of companies regarding Corporate Governance and Sustainability is based on compliance to Government and statutory regulations. It also revealed that the Malaysian Government played a significant role in influencing the behaviour of Malaysian companies and, in particular, GLCs. This, together with the analysis of the Focus Group and e-Survey responses as presented in Chapter 4, allows the following conclusions to be drawn:

a. Malaysian listed companies currently undertake Sustainability or CSR reporting only to comply with Bursa Malaysia requirements. Accordingly, they comply with frameworks issued by Bursa Malaysia. However, currently reporting was not mandatory and generally limited to the bare minimum. While some were aware of the Bursa Malaysia ‘Powering Business Sustainability: A Guide for Directors’ several were unclear on how to apply the guidance offered by the document.

b. The Silver Book was a good starting guide for GLCs to carry out CSR, but because the requirement to follow the Silver Book was not enforced there are no results apparent today. Hence while the Silver Book validated Government effort to encourage companies to do and report on CSR and sustainability, it was not actually used by or useful to companies.

c. The promotion of ‘awards’, such as the Prime Minister’s CSR Award, as devices to incentivize companies to report has encouraged most GLCs to merely list their CSR activities for public relations purposes. Generally companies have difficulties in differentiating between ‘CSR’ and ‘Sustainability’. GLCs benefitting from help and guidance are obliged to lead the way on Government policy. However, they struggle to meet stakeholders’ because they are reluctant to provide ‘too much’ information. Hence current GLC sustainability reporting in Malaysia is yet to
reflect global good practice, even though they are under pressure to emphasize on the non-financial issues which interest investors.

d. Small and medium enterprises (SMEs) have to satisfy some sustainability criteria in order to qualify for Government funding. This is an indirect Government incentive to report on sustainability, and necessary because most companies below RM1bn market capitalization show very little interest in Sustainability or CSR.

e. Government agencies have set an example by procuring only goods and utilities from sustainable sources for all Government buildings and facilities. They should also incentivize ‘sustainable choices’ by subsidizing the true-cost of energy and water.

f. This proposition is also supported by the validity of the variable Promotion, as tested in the structural equation model, which reliably comprises the constructs of Emphasis, Policy, Incentive and Framework. Factor analysis confirmed that the business community believes that the Government places importance on and encourages sustainability reporting. This pinpoints the needs for a national policy on sustainability reporting that encourages companies to factor sustainability into their strategic thinking and for carrying out sustainability reporting. However, the business community was unable to agree that the Government is attempting to provide a credible framework to guide companies in sustainability reporting.

These conclusions suggest that the proposition is sound and the Government is encouraging Malaysian companies to report on CSR and, in due course, sustainability. However, policy-makers should take note of the issue voiced by all other constituencies that GLCs have significant challenges to overcome in order to report effectively. This suggests that, although well-intentioned, current Government efforts to incentivize effective reporting are inadequate with the targeted outcomes not being achieved. This was especially apparent in the findings described in Chapter 4, Section 4.2.2, from the e-Survey where the responses of Regulators were typically and sharply different to all other categories of respondents.

5.2.2 Conclusions About Research Proposition2

The second research proposition was that “Listed Malaysia GLCs face challenges in using available Corporate Sustainability models and reporting formats”. 
The review suggested that global expectations of reporting by corporations are changing to require the inclusion of non-financial, or sustainability, information and data. There are several frameworks available for reporting such data and companies are expected to apply these frameworks so that their stakeholders can comparatively benchmark sustainability performance between industry peers. However, there was no information on how Malaysian companies or GLCs are reacting to this emerging global norm. Taking full account of the findings from the Focus Group and e-Survey responses as presented in Chapter 4, the following four conclusions may be drawn:

a. Malaysian companies are not ready to report effectively on sustainability performance because they are restrained by challenges including any necessity or will to do so. This is manifest as:

i. Not understanding the need for, or implications of, sustainability reporting.

ii. Not recognizing the attributes to measure sustainability; which attributes are relevant or key in different sectors; or appreciating that their stakeholders may be interested.

iii. Not having the right expertise to articulate the value of sustainability reporting to their business for the longer term or to their stakeholders.

This suggests that Malaysian companies do not see sustainability as an opportunity for value creation, or in using sustainability reporting as a tool to map, benchmark and drive change.

b. That such lack of understanding is symptomatic of the challenge of People - Malaysian attitudes in management and operations are not open to ideas for change. This is reflected by:

i. An inability to reconcile the necessity of near-term investment to secure longer-term gains; reinforcing a presumption that practicing sustainability, or becoming sustainable, is costly.

ii. GLCs in particular having a skewed attitude towards Corporate Responsibility and Sustainability and not being able to differentiate between the two. Generally the sustainability agenda is managed by the Corporate Communications function. This has no influence over operations and is traditionally disinclined toward transparency, disclosure or accountability.
Hence the measure of responsibility or sustainability in Malaysia is equated with media opportunities and seeking awards for showcasing philanthropy.

c. It is perceived that sustainability reporting is unnecessary because it is not mandatory and application of Bursa Malaysia’s guiding frameworks is entirely voluntary. This has resulted in:

i. Companies choosing how and what to report, and only to an extent based on their own judgment. Most companies emphasize philanthropy.

ii. Companies which do report to any extent being able to under- or over-report on convenient issues to present a positive view of their operations to stakeholders.

iii. Companies seeing reporting as a ‘check-box’ exercise, without calibrating whether or not they are actually ‘doing good’ or are sustainable relative to competitors or peers.

iv. Some companies being willing to report effectively but not knowing how to do so in the absence of compulsory requirements.

v. The Bursa Malaysia frameworks becoming vulnerable to issues of integrity that have undermined their effectiveness for credible and reliable sustainability reporting.

d. That although GLCs have had more help and guidance from the Government to lead the way, they struggle to meet their stakeholders’ expectations. The Silver Book was intended to wean GLCs away from entirely philanthropic Corporate Responsibility, encourage reporting and pave a path toward Corporate Sustainability. However this did not happen.

These conclusions support the second research proposition that GLCs face significant challenges in using available Corporate Sustainability models and reporting formats.

Factor analysis of the constructs of Understanding, Impact, Organisation and Expectation, which together establish the variable Challenge confirms that the constructs of this variable mediate the influence of Promotion or Ability on the Effectiveness of sustainability reporting. Therefore, the likelihood of achieving effective reporting by using Government incentives or policies, or building ability in GLCs will be greatly increased if these challenges are addressed.
5.2.3 Conclusions About Research Proposition 3

This Research proposition states: “The attributes and actions proposed by the ‘Powering Business Sustainability’ Guide are appropriate for listed Malaysian GLCs to report on Corporate Sustainability effectively”.

The literature review found that Malaysian regulators have provided the business community with guides on how to approach the non-financial reporting. These focused on CSR and encourage qualitative, narrative-style reporting of the philanthropic activities that companies in Malaysia are carrying out. Bursa Malaysia’s ‘Powering Business Sustainability – Guide for Directors’ to assist Malaysian companies address sustainability. It identifies four specific attributes and actions to enable sustainability within organisations, engage stakeholders and measure performance for sustainability reporting purposes. These are: (a) that Malaysian companies should use the views of stakeholders as inputs into their strategic decision-making; (b) that business strategies of Malaysian companies should balance profit-making environmental and social objectives; (c) that Malaysian companies leverage on sustainability to create new business and wealth for their shareholders; and (d) that Malaysian companies recognise the need for sustainability wherever they operate.

For the purposes of the Research Model and SEM constructs, these attributes were names ‘Stakeholders’, ‘Strategy’, ‘Opportunity’ and ‘Global’ (respectively). Thus the conclusions drawn for this research proposition can be grouped by reflection on these attributes as well as on general observations. The opinions of the Focus Group and the responses from the e-Survey were completely aligned in all of the following conclusions:

a. Reporting Is Poor And Only To Comply - Malaysian listed companies report only to comply with Bursa Malaysia requirements, and typically do so with only a token comment about CSR or Sustainability in their Annual Report. The quality of Sustainability or CSR reporting is generally poor, and is no more than an exercise in ‘box-ticking’. The boxes would be based on any frameworks issued by Bursa Malaysia.

b. There Is No Stakeholder Engagement - Malaysian listed companies do not appear to engage with stakeholders formally. The reports that they issue typically
contain no discussion on how their actions impact their stakeholders or the environment.

c. **Sustainability Is Not Embedded In Business Strategy** - Malaysian listed companies reports have no coverage of material issues, strategic objectives, targets or linkage to core business strategy and processes. The reporting also does not reflect sustainable business practices or the wider objectives of reporting – i.e. for transparency, accountability and continuous improvement. This reveals that sustainability is not embedded into the core business strategy of Malaysian listed companies.

d. **Opportunity Unrealised** - Ideally, a good GLC report should provide background and rationale on what prompts it’s thinking on sustainability issues and how it is moving forward as a consequence. Some progressive GLCs and other large Malaysian companies have realised that sustainability can offer a factor of differentiation. However, these are not reported as a strategy for business opportunity.

e. **Not Meeting Global Expectations** - Voluntary compliance with Bursa Malaysia’s frameworks is not as complete as an international reporting format such as the Global Reporting Initiative (GRI). Using GRI would help foreign investors and stakeholders understand and compare the sustainability performance of Malaysian listed companies with others. This is particularly important in complex supply chains spanning multiple countries. Malaysian listed companies, in particular GLCs, should provide assistance and encouragement to SMEs within their supply chains to adopt available international frameworks. This would help Malaysian listed companies gain a competitive advantage in exporting to global markets.

f. **Currently Weak But Future Looks Brighter** - most listed companies realise that more effective reporting is required. Proper engagement with stakeholders and within the organisation remains a challenge. These require building effective sustainability reporting into the structure and culture of the company. It also requires changes to the prevailing situation of charging sustainability responsibility to departments with no influence over operations. These conclusions support the third research proposition that the attributes and actions proposed by the ‘Powering Business Sustainability’ Guide are appropriate for listed Malaysian
GLCs to report on Corporate Sustainability effectively. However GLCs are currently not able to recognise, translate or apply the guidance offered by PBS into effective corporate sustainability reporting. The testing of this research proposition reveals that the challenges being faced by GLCs are limiting their ability to deliver effective reporting.

Factor analysis of the constructs of Stakeholders, Strategy, Opportunity and Global confirmed their establishment of the variable Effectiveness. These conclusions reinforce the idea that without addressing the Challenges, GLCs will not be able to report effectively.

5.2.4 Conclusions About Research Proposition 4

Research proposition four states: “Listed Malaysian GLCs have the ability and capacity to effectively conduct Corporate Sustainability reporting”.

The literature review did not reveal any existing knowledge on what would be the necessary characteristics for Malaysian companies or GLCs to develop in order to successfully conduct sustainability reporting. Thus the researcher looked to the findings from the Focus Group and e-Survey and verification of the reliability of the Research Model as tested by the SEM to determine whether or not this research proposition is supported. This proposition considers the issue of effective reporting in two dimensions: (a) do GLCs have the ability to carry out effective reporting; and if so then (b) do they have the capacity to do so.

To frame the conclusions about this research proposition, the researcher relied upon certain conclusions from Research Proposition 3, specifically those articulated in ‘Reporting Is Poor And Only To Comply’ and ‘Sustainability Is Not Embedded In Business Strategy’.

The researcher also presents the conclusions in consideration of the four constructs that were established for the SEM variable Ability. These were ‘Culture’ (meaning that GLCs have a corporate culture that values transparency and accountability); ‘Hiring’ (that GLCs are willing to bring in the expertise and skills necessary for transparent and accountable reporting); ‘Training’ (that GLCs are willing to develop their existing personnel to be more sustainable, transparent and accountable); and ‘Resources’ (that GLCs can determine
what financial and other resources would be required for them to be able to report on sustainability performance).

As with the conclusions presented earlier for Research Proposition 3 (above), the opinions of the Focus Group were fully supported by the responses from the e-Survey regarding this research proposition.

a. No sustainability reporting by any Malaysian GLC currently reflects good global practice. This may be due to three factors:

i. Companies are either not willing to do so or are unable to do so - and in both cases this arises due to not understanding the need for, or implications of, sustainability reporting.

ii. There are no reporting standards.

iii. There is no assurance of any reports that are produced. This raises questions of credibility of reporting and fuels negative stakeholder-perceptions especially as to whether GLCs are reporting with sincerity.

b. Malaysian attitudes in management and operations are not open to the ideas for change. Current top management mindsets limit the prospects for the ability and capacity of GLCs to improve. GLCs in particular must correct a skewed attitude towards, and confusion between philanthropy, CSR and Sustainability. However, new talent with a different set of values, will go beyond ‘lip service’ but positively embrace change and manage sustainability issues.

c. As a consequence, top management gives no clear direction or message on sustainability reporting. GLCs in particular are reluctant to put up ‘too much’ information and are reluctant to talk about certain things openly. ‘Corporate insecurity’ compels many GLCs to avoid transparency and revealing the impacts and consequences of their businesses.

d. The knock-on effect is that although GLCs should be leading the way because they have had more help and guidance from the Government and regulators, they still struggle with meeting the expectations of their stakeholders. Without domestic examples of leadership in sustainability reporting, or compulsion to be part of a sustainable supply chain, Malaysian small and medium enterprises lag far behind
and listed Malaysian companies below RM 1 billion market capitalization appear to show very little interest in CSR or Sustainability, or reporting on the same.

e. Companies will have to make adjustments internally to integrate sustainability and allow effective reporting. This requires building sustainability and reporting into the organizational structure and culture. Accountability for effective sustainability reporting cannot be ascribed to departments that have no influence over operations or are not traditionally open to transparent disclosure (such as the Corporate Communications function).

f. Government or regulators, such as Bursa Malaysia, could make sustainability reporting mandatory. However, mandatory reporting will not guarantee effective reporting, nor more sustainable business practices.

g. Some Malaysian companies are willing to report effectively, but do not know how to do so. They are aware of guidance provided by Bursa Malaysia but are not clear on how to apply it. Yet there are several large MNCs currently operating in Malaysia who, unlike GLCs, have a good feel of what needs to be reported, including how to engage with stakeholders. These could be better exemplars for Malaysian companies.

These conclusions cannot support Research Proposition 4. The findings suggest that listed Malaysian GLCs do not have the ability and capacity to effectively conduct Corporate Sustainability reporting.

Factor analysis of the constructs of Culture, Hiring, Training and Resources confirmed their contribution to the variable Ability. These conclusions reinforce the idea that without addressing Challenges GLCs will not be able to develop the ability or capacity to report effectively.

5.3 Conclusions on the Research Problem

The research problem as stated in Chapter 1 is: ‘What are the critical success factors for effective sustainability reporting by multinational listed Malaysian Government-Linked Companies (GLCs)?’

The research issues pertinent to this research problem, stated in Chapter 1 were posed as four research propositions. These were tested using a Focus Group, an e-Survey and a
structural equation model. The findings of the research and testing allowed conclusions to be drawn and these are presented in the preceding sections of this chapter. These are presented in summary in Table 5.1.

Based on this the researcher concludes the following about the Research Problem:

a. The critical success factors for effective sustainability reporting by multinational listed Malaysian Government-Linked Companies (GLCs) require Government encouragement and incentives. However, these should respond to the actual challenges faced by GLCs in reporting and should focus on demonstrable outcomes to avoid being perceived as ill-conceived or fruitless.

b. Overcoming the challenges faced by GLCs in using available models and reporting formats is a critical success factor.

c. The guidance offered by Bursa Malaysia in ‘Powering Business Sustainability’ is appropriate for GLCs to report on Corporate Sustainability effectively. However, the critical success factor for the guidance to deliver the expected outcome, i.e. sustainability performance in Malaysian listed companies, is that companies can recognise, translate and apply the guidance offered into effective corporate sustainability activities and reporting.

d. However, listed Malaysian GLCs do not have the ability and capacity to effectively conduct Corporate Sustainability reporting. Addressing these weaknesses is a critical success factor for effective sustainability reporting.
### Table 5.1 – Summary of Research Proposition Conclusions

<table>
<thead>
<tr>
<th>Research Proposition</th>
<th>Summary Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Research Proposition 1</strong></td>
<td>Supported.</td>
</tr>
<tr>
<td>The Government of Malaysia actively encourages Malaysian companies to report on Corporate Sustainability.</td>
<td>The Government is encouraging companies to report. However, Government efforts do not address the challenges faced and the efforts are perceived as fruitless.</td>
</tr>
<tr>
<td><strong>Research Proposition 2</strong></td>
<td>Supported.</td>
</tr>
<tr>
<td>Listed Malaysia GLCs face challenges in using available Corporate Sustainability models and reporting formats.</td>
<td>GLCs face significant challenges in using available Corporate Sustainability models and reporting formats.</td>
</tr>
<tr>
<td><strong>Research Proposition 3</strong></td>
<td>Supported.</td>
</tr>
<tr>
<td>The attributes and actions proposed by the ‘Powering Business Sustainability’ Guide are appropriate for listed Malaysian GLCs to report on Corporate Sustainability effectively.</td>
<td>However GLCs are currently not able to recognise, translate or apply the guidance offered by PBS into effective corporate sustainability reporting.</td>
</tr>
<tr>
<td><strong>Research Proposition 4</strong></td>
<td>Not Supported.</td>
</tr>
<tr>
<td>Listed Malaysian GLCs have the ability and capacity to effectively conduct Corporate Sustainability reporting.</td>
<td>Listed Malaysian GLCs do not have the ability and capacity to effectively conduct Corporate Sustainability reporting.</td>
</tr>
</tbody>
</table>

*Source: Developed for this Research*

### 5.4 Research Contribution – ‘The GLC Model’

While research has been done into sustainability and identified that reporting on sustainability performance by companies is increasingly becoming a norm, previous research has focused on what such reporting constitutes and why it is increasingly needed. Previous work is also based largely on the experiences of established MNCs reporting within the business environments of OECD countries.
This study is the first investigation of specific factors that influence the effectiveness of corporate sustainability reporting by Malaysian GLCs. As such this research has implications for multinational companies from emerging economies seeking to attain, retain or develop competency in sustainability reporting so as to attract global investors, talent and access to export markets. It also has implications for developing country governments aiming to support their domestic and exporting industries by creating business-enabling environments and encouraging good business practices that meet international expectations.

This research has identified which factors are critical to effective reporting and the relationships of these variables to each other. These are presented in Figure 5.2 as ‘The GLC Model’ and the fundamental finding that Challenges is the mediating variable on the relationship between Promotion and Ability on Effectiveness of sustainability reporting by GLCs.

The specific contribution of this research is an understanding of the situation of corporate sustainability reporting in Malaysia by GLCs. This contribution allows recommendations to be made on which areas need to be addressed by both the Malaysian Government and the major companies they have an interest in to successfully meet changing expectations of international markets in regard to corporate sustainability reporting. This would allow GLCs, key drivers and supporters of the Malaysian economy, to limit the risk of losing competitive advantage to international competitors and peers; and also to attract international investors who place an importance on sustainability performance as a precondition to corporate growth and increased shareholder value.
The generalized contribution of this research is a model defining the attributes that the governments of emerging economies, and the domestic companies that they may support (such as GLCs or state-owned enterprises), should consider to meet the changing expectations of international markets in regard to corporate sustainability reporting. Understanding these attributes and the expectations of international markets is of paramount importance to economies with a significant proportion of contribution to GDP from sectors such as agriculture, mining and oil and gas. These industries are today compelled to address environmental and social issues to the same extent as profitability. The corporations that operate in these sectors are typically large multinationals in technical or equity partnership with state-supported companies (such as Malaysian GLCs). Demands by international stakeholders on multinationals for sustainability reporting on the impacts of their operations cannot exclude their partners. Hence the attributes that this model identifies are globally applicable to any GLC-like corporation being promoted by a government equity stakeholder and having to share responsibility for its operational impacts with any foreign investor or equity partner MNC.
5.5 Implications of the Research

The outcomes of this research have implications on both how governments view and address the need for effective sustainability reporting, as well as how corporations mobilize their resources and orientate strategy to deliver and use sustainability reporting effectively. Recommendations arising from this research can be broadly categorized under these two headings. In this case the first category would be specific recommendations to the Government of Malaysia, and the second to listed Malaysian GLCs.

5.5.1 Recommendations for Government

The following recommendations are made for the Government to consider for enhancing the policymaking, regulatory and governance environment that would result in listed Malaysian companies reporting more effectively on corporate sustainability.

i. Annual Corporate Sustainability reporting should be mandatory for all listed Malaysian companies, especially GLCs.

ii. Clear guidelines for non-financial reporting should be established by Bursa Malaysia according to standards set by the expectations of international stakeholders, especially of international investors and export-market consumers. These guidelines should consider reflecting current global trends toward integrated reporting and other progressive and current formats to allow some longevity to systems that will have to be adopted by companies expected to meet the standards to be prescribed.

iii. Corporate Sustainability reporting should be required to cover two distinct areas: (1) a description of the current sustainability performance of the company using internationally-accepted indicators and metrics for economic, environmental and social performance that can be compared against competitors and peers; and (2) a statement of the strategy of the company in the near-, medium- and long-term on how it aims to address and better its sustainability performance relative to its current performance.

iv. Government should incentivize companies to recruit professional sustainability managers and train existing personnel in sustainability management by providing
double tax-deductions for human resource capacity-building in sustainability reporting.

v. Bursa Malaysia should establish an index of listed companies which track their sustainability performance and have a stated sustainability strategy.

5.5.2 Recommendations for Companies

The following recommendations are made for listed companies, especially GLCs, to consider for enhancing the strategy and operational environment that would result in more effective reporting on corporate sustainability.

i. Develop a clear strategic business case for why sustainability is appropriate for the company. This will require understanding the attributes, activities and expectations of sustainability to a degree that will allow factoring these elements meaningfully into a strategic plan for corporate sustainability.

ii. Establish a clear governance structure for sustainability within the organisation. This will require top-down statements and demonstrations of commitment to the sustainability strategy, and clarity on accountability for achievement of sustainability goals at every management and operating level.

iii. Design and implement a management system to track progress toward meeting sustainability targets, and account for outcomes being achieved.

iv. Adopt an international standard for sustainability reporting, apply the format diligently and use it to drive and support the governance, management and achievement of sustainability activities. The standard adopted should be reflective of current global trends toward integrated reporting and other progressive and current formats.

v. Use to the greatest extent possible, the inputs of stakeholders - especially investors, consumers and advocates of communities or environments - upon which the companies operations depend or impact. Formal stakeholder engagement can yield valuable and deep inputs into the strategy-making and risk-management processes within companies.

vi. Avoid allocating responsibility for sustainability performance and reporting to traditional corporate departments, such as Corporate Communications, that are not
functionally-equipped to deal with transparency and accountability, or have any influence over actual operations.

5.6 Limitations

The likely limitations to the study were highlighted in Chapter 1. These limitations may be considered to have had some impact on the outcomes of the study. This research was limited to those models and frameworks that are considered to be most appropriate for Malaysian GLCs. These included all known models for sustainability reporting that currently exist and are applicable internationally; that are available for use and recognised by the corporate and regulatory community in Malaysia.

Within this boundary, the three principal limitations of the study were:

• Firstly, sustainability reporting is an evolving element in corporate strategy, a developing management discipline and a growing requirement of corporate governance. This study presents a point time. A multiple cross-sectional or longitudinal design to consider dynamic changes over time to the situation revealed by this study may provide more an additional dimension to these findings on the research problem.

• Secondly, the hypothetical model is developed using exploratory techniques characterized by judgmental interpretation of findings and which therefore cannot meet absolute requirements of reliability and validity. However, the researcher has attempted to counter this weakness by subjecting the hypothetical model to quantitative structural equation modeling methods of analysis.

• Thirdly the study sample size of 214 respondents was large enough to satisfy the requirement of statistical significance. However, respondents were identified and invited by way of convenience sampling to select respondents in Malaysia, familiar with GLCs, and being involved in or related to the development or uptake of aspects of non-financial reporting standards for the country. The specificity of the sample to Malaysia may limit the applicability of some study findings to other countries.
5.7 Opportunities for Further Research

This study has presented a fundamental finding on the relationships between variables comprising factors for Government promotion, ability of Malaysian listed corporations, and the challenges needing to be addressed by both in order to enable effective sustainability reporting by GLCs. There are several opportunities for further research to test the constructs supporting these relationships identified in this study and presented as The GLC Model. These could include:

• Transposing the GLC Model into other country-contexts, both developing and developed, to determine how and if the factors identified vary in influence or other dimensions to deliver effective sustainability reporting.

• Applying the factors to different corporate forms – e.g. such as family-owned companies, SMEs, state-owned enterprises or MNCs. Differing objectives of different corporate types places different emphasis on elements of the triple-bottom-line equation, i.e. economic, environmental and social. Potential new research could determine how the factors identified by GLC Model are modulated to generate models for different corporate forms.

• Developing case studies to test the model and also prepare guidelines for more effective sustainability reporting specific sectors based on applied research within particular industries. Such focused studies could also be directed to the policy-making environment for specific countries, transnational standard-setting and other influences upon corporate behaviour in the arena of regulatory compliance and norm-based license to operate.

• Testing each factor and variable within the model so as to inform enhancements to current reporting standards and frameworks.

• The cross-tabulation of survey responses against participant type yielded a significant finding regarding differences between the view of Regulators and the views of the other participant groups. As full and considered analysis of these findings are beyond the objectives defined for this research, the cursory descriptive analysis provided in this study might be refined and tested in follow-up research to determine why indeed such discrepancies exist and what implications arise as a consequence.
5.8 Conclusion

This Chapter presented conclusions drawn from the analysis of findings about the research propositions. It also explained the contribution of this research to the field of knowledge on the subject of Corporate Sustainability Reporting through a GLC Model with a fundamental finding that effective sustainability reporting is a product of the efforts of Government to promote reporting and the ability of companies to do so. However, both are mediated by whether the challenges of understanding sustainability, transparency, having appropriate management and operational capacity, and meaningful engagement with stakeholders are properly addressed.

In consideration of this, the Chapter offered recommendations for government and listed companies, especially GLCs, on appropriate policies and practices to deliver more effective corporate sustainability reporting.

The Chapter concludes with an exposition of the limitations of the study and also opportunities for further research.


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Appendix 1 – Informed Consent Form for Focus Group

CONSENT TO PARTICIPATE IN A FOCUS GROUP
FOR A DOCTOR OF BUSINESS ADMINISTRATION RESEARCH THESIS

<table>
<thead>
<tr>
<th>Thesis Title</th>
<th>Identifying an Appropriate Model for Corporate Sustainability Reporting by Malaysian GLCs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Researcher</td>
<td>Puvan J Salvanathan</td>
</tr>
</tbody>
</table>

Please tick the box that applies, sign and date and give to the researcher

- I agree to participate in this Southern Cross University research project. Yes ☐ No ☐
- I understand the information about my participation in the research project which has been provided to me by the researcher. Yes ☐ No ☐
- I agree to be interviewed by the researcher. Yes ☐ No ☐
- I agree to make myself available for further interview if required. Yes ☐ No ☐
- I understand that my participation is voluntary. Yes ☐ No ☐
- I understand that I can cease my participation at any time. Yes ☐ No ☐
- I understand that my participation in this research is anonymous. Yes ☐ No ☐
- I understand that any information that may identify me will be de-identified at the time of analysis of any data. Yes ☐ No ☐
- I understand that all information gathered in this research is confidential and it will be kept securely and confidentially for 7 years at the University. Yes ☐ No ☐
- I am aware that I can contact the researchers at any time with any queries. Their contact details have been provided to me. Yes ☐ No ☐
- I understand that this research project has been approved by the SCU Human Research Ethics Committee. Yes ☐ No ☐

Your Name: ____________________________

Signature: ____________________________ Date: ____________________________

Please tick this box if you wish to receive a summary of the results and kindly provide your email address:

☐
Appendix 2 – Information Sheet for Focus Group

INFORMATION SHEET FOR A FOCUS GROUP MEETING
FOR A DBA RESEARCH THESIS:
“IDENTIFYING AN APPROPRIATE MODEL FOR CORPORATE SUSTAINABILITY REPORTING BY MALAYSIAN GLCs”

My name is Puvan J Selvanathan and I am conducting research as part of my Doctor of Business Administration (DBA) degree at Southern Cross University. I am investigating the critical issues related to effective Corporate Sustainability reporting by Malaysian Government-Linked Companies (GLCs).

As an individual of note within the Malaysian CSR and Sustainability community of practice, I would very much appreciate your participation in a Focus Group meeting on the subject of my research.

Should you agree to participate, the Focus Group will comprise eight other individuals with an in-depth knowledge of issues related to my research topic. They would be drawn from a case study GLC selected for this research, relevant Government regulatory agencies, non-governmental organizations (NGOs) as well as academia.

My research aims to identify the challenges faced by Malaysian GLCs in meeting expectations for reporting on the sustainability of their operations, and for demonstrating that their products and services are produced in a sustainable manner. The international business environment is highly competitive and Malaysian GLCs are increasingly compelled to address demands by consumers and investors that corporations should meet high standards of social and environmental care.

I hope the findings of this research, including knowledge gathered from the Focus Group, will offer useful recommendations for Malaysian GLCs on effective reporting for corporate sustainability.

Organisation of the Focus Group

I will be the facilitator and moderator of the Focus Group. It should last no more than 90 minutes. The meeting to be held on at the hotel in Kuala Lumpur. I will encourage all participants to speak candidly on the issues that Malaysian GLCs have in sustainability reporting. I look forward to a sharing of informed views by all the expert participants. As the facilitator, I will listen, focus the discussion when necessary, summarize views expressed and take notes.

Please note that if you choose to participate in this research it will be purely voluntary. Refreshments will be served. However, travel expenses to the meeting venue will not be reimbursed, and you will not be paid a fee or offered any financial incentive to participate.
My Responsibilities (as the Researcher)

It is my duty to make sure that any information you choose to share is protected. There will be no information attached to data collected by which you could be identified. Your name will only be used when arranging the appointment for the Focus Group meeting. After you have participated in the study all information identifying you will be destroyed.

To ensure that you are willing to participate in this research, I will ask you to sign a consent form before you participate in the Focus Group meeting. This signed consent form will be held with all others received from participants in this research in safe storage at the University for a period of five years before being destroyed.

The University has strict procedures in place so that your personal details cannot at any time be matched, identified or tracked back to the data collected in this research exercise.

The research findings may be submitted for publication in a peer-reviewed journal and presented at conferences. If so, any information gathered will only be reported as overall group data.

Your Responsibilities (as a Participant)

If you feel that there is any impact to or consequence from your participation in this study, you may wish not to do so. If you choose to participate but then wish to discontinue participation, or wish to withdraw your consent for me to use your input after the meeting, then you can do so. You do not need to provide any explanations, but I would appreciate your letting me know your decision so I may attend to the necessary confidentiality protocol.

Inquiries

This form is yours to keep for future reference. If you have any questions at any time please ask me, or my supervisor:

Researcher: Puvan Jegaraj Selvanathan
Email: puvanjs@gmail.com

Supervisor: Dr K J John
Email: kjohn@ohmsi.net

Contact No. +603 7949 1607 (Southern Cross University, Malaysian Office)

This research has been approved by the Human Research Ethics Committee at Southern Cross University. The Approval Number is ECN-10-047.

If you have concerns about the ethical conduct of this research or the researchers, please write to the following:

The Ethics Complaints Officer
Southern Cross University
PO Box 157
Lismore NSW 2480
Email: ethics.lismore@scu.edu.au

All information is confidential and will be handled as soon as possible.
Appendix 3 – Cover Email, Information Sheet and Questions for Web Survey

**Cover Email for Web Survey**

---

Dear [Name],

My name is Puvan J Selvanathan and I am conducting research as part of my Doctor of Business Administration (DBA) degree at Southern Cross University. I am investigating the critical issues related to effective Corporate Sustainability reporting by Malaysian Government-Linked Companies (GLCs). I invite you to participate in a Questionnaire Survey on this subject. I have invited individuals from the Malaysian Private Sector, Government agencies, NGOs and Academia.

My research aims to identify the challenges faced by Malaysian GLCs in meeting expectations for reporting on the sustainability of their operations, and for demonstrating that their products and services are produced in a sustainable manner. The international business environment is highly competitive and Malaysian GLCs are increasingly compelled to address demands by consumers and investors that corporations should meet high standards of social and environmental care. I hope the findings of this research, including knowledge gathered from this Questionnaire Survey, will offer useful recommendations for Malaysian GLCs on effective reporting for corporate sustainability.

This survey has 16 questions and should take you no more than 20 minutes to complete. Your input will be ANONYMOUS and this research is governed by the Human Research Ethics Committee at Southern Cross University (Approval # ECN-10-047). I would appreciate your responses within TWO (2) WEEKS of this email. The survey will be closed on 20 April 2011. If you wish to have more information before contributing to this research, please contact me directly at puvanjs@gmail.com.

Please click the link below to begin the survey:
http://www.zoomerang.com/Survey/WEB22C67STNQE2W

If you have concerns about the ethical conduct of this research, please write to:
Address: The Ethics Complaints Officer Southern Cross University, PO Box 157, Lismore NSW 2480.
Email: ethics.lismore@scu.edu.au

Thank you in advance for your input.

Best,

---

*PJS – Effective Sustainability Reporting by GLCs*
INFORMATION SHEET FOR A QUESTIONNAIRE SURVEY FOR A DBA RESEARCH THESIS

How do you answer the Survey?

The Questionnaire Survey has 15 questions. These are presented as statements relating to issues in this research. Please read each statement, then indicate how much you agree or disagree with that statement by ticking one of the six boxes on the scale immediately below that statement. The boxes range from ‘Strongly Disagree’ to ‘Strongly Agree’.

You will require no more than 20 minutes in total to complete all the questions.

Please note that participation is purely voluntary and no financial remuneration or incentive will be offered for taking part in this research.

My Responsibilities (as the Researcher)

It is my duty to make sure that any information you choose to share is protected. There will be no information attached to data collected by which you could be identified. Your name will only be used when sending the Questionnaire Survey to you. After you have completed and returned the survey all information identifying you will be destroyed.

The University has strict procedures in place so that your personal details can at no time be matched, identified or tracked back to the data collected in this research exercise.

The research findings may be submitted for publication in a peer-reviewed journal and presented at conferences. If so, any information gathered will only be reported as overall group data.

I would be very happy to share the findings of the research with you if you wish. If so, please send me an email at puvanj@gmail.com with the subject heading: “Send Me Findings”

Your Responsibilities (as a Participant)

If you feel uncomfortable in participating in this survey for any reason please do not do so. You do not need to provide any explanation.

IMPORTANT!

IF YOU CHOOSE TO COMPLETE AND RETURN THE SURVEY, YOU WILL BE DEEMED TO HAVE GIVEN YOUR CONSENT TO PARTICIPATING IN THIS STUDY. PLEASE NOTE THAT YOU CANNOT WITHDRAW YOUR CONSENT AFTER THE SURVEY IS RETURNED BECAUSE THERE IS NO MEANS BY WHICH YOU CAN BE IDENTIFIED USING THE SURVEY FORM.

Inquiries

This form is yours to keep for future reference. If you have any questions at any time please contact:

Researcher: Puvan Jegaraj Selvanathan  
Email: puvanj@gmail.com

Supervisor: Dr K J John  
Email: kjohn@olimsl.net

Contact No. +603 7949 1667 (Southern Cross University, Malaysian Office)

This research has been approved by the Human Research Ethics Committee at Southern Cross University. The Approval Number is ECN-10-047.

If you have concerns about the ethical conduct of this research or the researchers, please contact:

The Ethics Complaints Officer Southern Cross University PO Box 157 Lismore NSW 2480  
Email: ethics.lismore@scu.edu.au

All information is confidential and will be handled as soon as possible.
Web Survey Questions

1. Gender
   Male
   Female

2. Age
   20 - 30
   31 - 40
   41 - 50
   Above 50

3. Background Experience
   Practitioner (i.e. doing Sustainability or CSR is part of your job)
   Manager (e.g. you are responsible for Sustainability in your organisation)
   Expert (e.g. you are a consultant on managing Sustainability)
   Regulator (e.g. you are a policymaker in Government or a Govt-Agency)
   Knowledgeable Person (i.e. you are a thought-leader or an academic)

4. I have read and understood all the information stated on the Information Sheet.

Important!

If you complete and return this survey, you are deemed to have given your consent to participating in this study.

There are 16 questions in this questionnaire. Thank you in advance for your participation.

Puvan J Selvanathan
DBA Candidate
Southern Cross University
"Identifying An Appropriate Corporate Sustainability Reporting Model To Enhance the Sustainability Reporting Practices Of Malaysian GLCs"

Research Proposition 1
The Malaysian Government is actively encouraging Malaysian companies to report on their Corporate Sustainability.

5. Malaysian Government policies emphasise the importance of Corporate Sustainability reporting practices by the business community in Malaysia.

<table>
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<tr>
<th>Strongly Agree</th>
<th>Agree</th>
<th>No Opinion (Neutral)</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Don't Know</th>
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6. A comprehensive national Corporate Sustainability reporting policy will encourage Malaysian companies to include Corporate Sustainability in their business strategy.

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<tr>
<th>Strongly Agree</th>
<th>Agree</th>
<th>No Opinion (Neutral)</th>
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7. The Government should provide incentives to Malaysian companies to carry out Corporate Sustainability reporting.

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<th>Strongly Agree</th>
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8. The Silver Book provides an appropriate framework and tools for Malaysian companies to carry out Corporate Sustainability reporting.

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<th>Strongly Agree</th>
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<th>No Opinion (Neutral)</th>
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Survey Page 3
Research Proposition 2
Listed Malaysian GLCs face challenges in using available Corporate Sustainability models and reporting formats.

9. Most listed Malaysian GLCs understand what ‘Corporate Sustainability’ means.

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<tr>
<th></th>
<th>Strongly Agree</th>
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10. Most listed Malaysian GLCs aim to report annually on the economic, social and environmental impacts of their operations.

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11. Most listed Malaysian GLCs have the required organisational structures and governance frameworks to effectively carry out Corporate Sustainability reporting.

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12. Most listed Malaysian GLCs understand what stakeholders globally will expect from Corporate Sustainability reporting about their businesses.

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</table>
"Identifying An Appropriate Corporate Sustainability Reporting Model To Enhance the Sustainability Reporting Practices Of Malaysian GLCs"

Research Proposition 2
The Bursa Malaysia ‘Powering Business Sustainably' Guide for Directors of listed Malaysian companies is appropriate for listed Malaysian GLCs to report on their Corporate Sustainability.

13 Most listed Malaysian GLCs take account of the views of all their stakeholders in their business outlook.

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<th>Strongly Agree</th>
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14 Most listed Malaysian GLCs consider environmental and social challenges when they develop their business strategies.

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15 Most listed Malaysian GLCs see current and future potential business opportunity in being good global corporate citizens.

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16 Most listed Malaysian GLCs manage all their global business operations responsibly enough to report on them as part of their Corporate Sustainability.

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</table>
“Identifying An Appropriate Corporate Sustainability Reporting Model To Enhance the Sustainability Reporting Practices Of Malaysian GLCs”

Research Proposition 4
Listed Malaysian GLCs have the ability and capacity to effectively conduct Corporate Sustainability reporting.

17 The organization and culture of most listed Malaysian GLCs is conducive to practicing transparent Corporate Sustainability reporting.

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<th>Strongly Agree</th>
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<th>No Opinion (Neutral)</th>
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18 Most listed Malaysian GLCs promote the hiring of experts and knowledge workers to develop their Corporate Sustainability and reporting.

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19 Most listed Malaysian GLCs provide sufficient training for staff at all levels to build awareness and skills in Corporate Sustainability and reporting.

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20 Most listed Malaysian GLCs have allocated financial and other necessary resources for enhancing their Corporate Sustainability and reporting.

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