Malaysian Ngos' Perceptions of Corporate Social and Environmental Reporting

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Abstract: The extant research on Corporate Social and Environmental Reporting (CSER) has largely been examined from the primary stakeholders' perspective. A paucity of research looking at the point of view of the secondary stakeholders is observed in the literature. The power of Non-Governmental Organizations (NGOs) as secondary stakeholders in recent years is evident, but a lack of research on this aspect contributes to the limited understanding of the extent of influence that they may pose on the reporting practices of companies. The aims of this paper are twofold. Firstly, it attempts to examine whether NGOs in Malaysia can be regarded as a group of users of CSER. And secondly, it intends to examine the potential action that may be exploited by the NGOs in influencing the disclosure practices of the companies. A mail survey is sent to fifty NGOs all over Malaysia. In addition, post-survey interviews are performed in order to provide more evidence and assistance in the interpretation of the survey findings. Overall, the results suggest that NGOs in Malaysia can be regarded as a user group of CSER and that they prefer an indirect approach in exerting influence. However, the results should be treated with caution as only a small number of NGOs participated in the survey and interviews.

Key words: Corporate Social and Environmental Reporting (CSER), Non-Governmental Organizations (NGOs), developing country, disclosure of information, annual reports

INTRODUCTION

The academic exploration on CSER has proliferated in recent decades. Proponents of CSER argue that the disclosure of social and environmental information is demanded by a multitude of constituents to reflect the organizational accountability and at the same time to ensure the sustainability of the entity (Gray *et al.*, 1996; Deegan and Rankin, 1996; Wilmshurst and Frost, 2000; O'Donovan, 2002; Brammer and Pavelin, 2006; de Villiers and van Staden, 2006; Islam and Deegan, 2008). The primary objective of CSER is not merely directed to satisfying the information needs of the prominent users (mainly investors), but also needs to be extended to the other secondary stakeholders "which can influence, or be influenced by the organization's continuity with their participation in decision-making process" (Owen and Swift, 2001).

Pressure groups such as the NGOs are parties that have been acknowledged to be a part of the stakeholder group (Arenas *et al.*, 2009; Momin, 2013) and they have the potential to increase the extent of CSER (Deegan and Blomquist, 2006). Hence, organizations need to pay some attention to the demand made by the NGOs on CSER (Tilt, 1994; Haigh and Jones, 2006). The power and influence of pressure groups on social and environmental issues are evident in the United States, Australasia region, Western Europe and other developed countries (Tilt, 1994; Steadman *et al.*, 1995; Adams *et al.*, 1998) which are expressed in the forms of direct or indirect action against the targeted organizations, for example through lobbying for mandatory disclosure or product boycotts (Tilt, 1994; Deegan and Blomquist, 2006; Yang and Rivers, 2009; Burgos, 2012).

In the case of Malaysia, there is a paucity of evidence regarding the demand of NGOs on CSER. Existing studies have extensively put forth the emphasis on the cross-sectional research that analyze the patterns and the extent of disclosures by private institutions in the annual reports (Ahmad *et al.*, 2003; Nik Ahmad and Sulaiman, 2004; Zulkifli, 2006). However, there is a limited understanding of the extent of influence that can be imposed by the NGOs on CSER constituent. Therefore, the current study is considered timely and significant in its attempt to fill in the research gap and contribute to the existing knowledge by providing some useful insights on the NGOs' perceptions and their reporting influence on CSER in a developing country perspective.

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The remaining parts of the paper are structured in the following order. In the next section, the research objectives are presented. Then, a detailed review of prior literature follows. The review is segregated into four sub-sections discussing the users of CSER including the social and environmental NGOs. A brief discussion highlighting the nature of the NGOs in Malaysia is also included. Subsequently, a discussion of the research methodology is provided. The current study is a confirmatory research that starts with a mail survey and proceeds with an in-depth interview of the selected individuals. Afterwards, the results of the survey and interviews are provided and discussed. A conclusion ends the paper.

Research objectives: The objectives of the paper are twofold:

- To examine whether the NGOs can be considered as a user group of CSER within the Malaysian business environment. Although the plurality of evidence is available abroad, local data to substantiate a claim that NGOs serve as one of the major stakeholders is excessively scarce
- To examine if the NGOs have attempted any direct or indirect actions in exerting their influence on the companies' disclosure practices. The aim is to review the function of pressure groups as major stakeholder groups in the Malaysian business community

Literature review
The users of CSER: The disclosure of CSER is often addressed to a number of stakeholders who have the right to the information that shows the impact of a company's operations on the society (Stanton, 1997). The existence of multiple groups of stakeholders is acknowledged because the economic resources and business operating activities can affect the society's life, work opportunities, personal development and the surrounding social fabric (Owen, 1992). According to Neu *et al.* (1998), the relevant public for CSER can be categorized into two main groups mainly primary and secondary. The primary stakeholders such as financial stakeholders and government regulators are a group of users that are heavily relied upon by companies for business survival. The latter refers to pressure groups such as the NGOs that also impose some degree of influence on the corporate citizens in the conducting of their business operations (Tilt, 1994; Haigh and Jones, 2006; Arenas *et al.*, 2009; Momin, 2013).

The extent of influence of these stakeholder groups on the companies shows some differences. Specifically, the needs and preference of the primary stakeholder groups are prioritized and are evident in the increase in the level of disclosure through an array of reporting medium. Conversely, the information needs and preference of the secondary stakeholder groups are often marginalized and not really entertained by the corporations as shown in the small degree of disclosure. The finding concurs with Olive (1991) that in the case of conflict of interest, organizations attempt to satisfy the more important users. It is argued that agreeing solely to pressure groups' demands is often avoided as they may be in conflict with the interest of the other stakeholders of the firm (Smith, 1989). Marginalizing the interest of the NGOs is perhaps due to the fact that there appears to be a little understanding of the roles and power that the NGOs can exercise on the companies.

Social and environmental NGOs' roles and power: NGOs as claimed by Tilt (1994) and Momin (2013) represent a potential and a powerful stakeholder group especially in the area of CSER. According to Notte and Burrit (1999), NGOs constitute an active popular working 'arm' of the community's involvement due to their direct contact with the government authorities. This acknowledges the fact that they are powerful in persuading and encouraging more participation either from the public or from the government to interfere in certain issues of concern. Not only that, the NGOs have also emerged as influential actors in the interaction between business and government particularly in the new investment plans and projects (Doh and Teegen, 2002). The role and power of social and environmental NGOs can be clearly observed internationally, as evident by the work of Greenpeace Association and the World Wide Fund for Nature (WWF) (Deegan and Blomquist, 2006).

In developing countries, there are a number of studies conducted on NGOs' involvement in social and environmental issues. For example, Rivera and Newkirk (1997) documented evidence from nine case studies across the Philippines. It shows the power of NGOs, especially in the settlement of social issues. The case studies highlight the value of community commitment and participation in decisions regarding an implementation of resource management in a way that consider the biophysical aspect of resource management, economic and legal implications. Miraftab (1997) in his study of social issues acknowledges the role and power of Mexican NGOs in performing their task as an agent of change. He redefines the Mexican NGOs' goals and objectives and the changes in the relationship of NGOs with state and poverty issues to promote the community's self-reliance and empowerment.

According to Princen and Finger (2013), the role of international NGOs can be seen in several ways. Firstly, as a lobby group promoting and campaigning for improving the level of awareness of the public. International NGOs act as lobby groups on prominent issues related to social and environmental concerns and they are also capable of diverting public attention to certain impact of ecology damages on human development and sustainability. Secondly, NGOs' attempt to educate members and the public at large about the positive and negative impact of economic and business operations on the social and environmental development of society. At the same time, NGOs also act on behalf of the government to promote actions that are initially governmental such as lobbying for the introduction of mandatory regulations. Finally, international NGOs are capable of becoming agents of change. The NGOs appear to be the key actors in moving the society away from the current trend in the environmental degradation and towards sustainable economic in cases where government interference is lacking.

In a similar vein, the power of NGOs can also be observed in varying ways. For example, Princen and Finger (2013) indicate that the power of NGOs may be expressed in the form of commanding the media's attention and exerting power to influence action. The NGOs (especially at the international level) are able to command and attract the media's attention on certain issues, especially in cases that need urgent actions. As an example, WWF as a worldwide organization can launch their worldwide membership and media campaign to gain more attention, either at the domestic or international levels. Moreover, NGOs are able to influence the media to highlight certain issues and therefore force a company to produce more sustainable products and contribute to the change in consumers' behavior. On the other hand, the NGOs are also capable of promoting effective communication either to support or to oppose social and environmental policies. They are powerful to coordinate the lobbying process through their chain of network. For example, Princen and Finger (2013) cite the case of the World Bank's participation in the Amazon development project in 1987. Environmentalists from the United States, Europe and Australia have jointly written an objection letter to their respective governments to protest the development project. As a result of the coordination and lobbying activities, the project is cancelled.

NGOs in Malaysia: The history of social and environmental NGOs in Malaysia can be traced back in the 1970s. At that particular time, a few organizations representing a diverse range of interest were established which include Malaysia Nature Society (MNS) in 1970, Federation of Malaysian Consumers Association (FOMCA) in 1973, Environmental Protection Society of Malaysia (EPSM) in 1974 and Sahabat Alam Malaysia (Friends of the Earth-SAM) in 1977 (Kean and Singh, 1994). These NGOs emerged as the ruling government at that time, had a development policy that did not take social and environmental aspects of sustainable development into much consideration (Rasiah, 1999; Che Ku Kassim and Taib, 2015). Most of the Malaysian NGOs are set up either as community based organizations or for the purpose of defending or promoting specific issues such as environmental damages or social problems (Che Ku Kassim and Taib, 2015). In conducting their activities, the financial assistance of the government and foreign funds was very much sought after. However, most of the time, such monetary aid was insufficient and ways to raise funds such as donations from private sectors and individuals or through organizational membership were mobilized.

There is also a claim that the government dealt with these NGOs aggressively. As argued by Weiss (2003), the regulatory environment is the most significant factor that inhibits the development of advocacy NGOs in Malaysia. Popular examples include the demonstrations organized by the Consumers' Association of Penang (CAP) and Sahabat Alam Malaysia (SAM) on the dumping of sewage effluents into the rivers of Juru and Kedah in the 1970s and 1980s which have been condemned as unlawful anti-government incitements (Rasiah, 1999). A similar tension is expressed by Hooi (2013) as the NGOs in Malaysia are being repeatedly perceived as a threat to governmental interest. Because of that, they have often been subjected to the administrative control through the amendment and introduction of new legislations that restrict the movement of the activists which then causes an adverse impact on their activities. Despite being labeled "anti-development" and facing the threat of legal action, Malaysian NGOs often have exploited other practical means to highlight their concerns about environmental and social issues. Some of the actions include raising public awareness and objections, sending letters and petitions to Members of Parliament and participating in dialogues and negotiations with the government and project proponents (Rasiah, 1999).

MATERIALS AND METHODS

The study employs method triangulation. Cooper and Schindler (2008: 185) define method triangulation as "the term used to describe the combining of several qualitative methods or combining qualitative and quantitative

methods". It is claimed to be a powerful technique that facilitates data validation. According to Modell (2009), The major purpose of method triangulation is to allow the researcher to gain benefits from the divergent approaches and counterbalance the shortcomings of one approach with the strengths of the other approach (or approaches). By combining the relatively dissimilar methods, the credibility of the research results is enhanced whilst the potential validity threats stemming from the biases inherent in any single method are reduced (Modell, 2005). The data collection method of the paper involves two phases. In the first phase, the mail questionnaire survey is conducted. For the subsequent phase, post-survey interviews are performed to provide more evidence and assistance in the interpretation of the survey findings.

Mail survey: A self-administered questionnaire survey is utilized to examine the NGOs' perceptions of the current practice of CSER. The survey method is said to be the best method of collecting the primary data on perceptions and opinions. Moreover, a questionnaire survey can be conducted within an expanded geographical area and it is cost and time efficient in nature (Sekaran and Roger, 2010). This is important for the sample selection which includes NGOs from all over Malaysia, both in Peninsular Malaysia as well as in Sabah and Sarawak.

Sample: Under the Societies Act 1966, every organization that wishes to be in operation in Malaysia is required to register with the Registrar of Societies (ROS) according to the category and the nature of the organization. Therefore, for sample selection, a list of the NGOs' names and addresses was obtained with the cooperation from the ROS. However, there is no specific category for social and environmental groups registered with the ROS. Hence, to arrive at the final sample, at first, a request was made to the ROS to randomly select two-hundred names and addresses of NGOs from two categories such as welfare, social and recreation. The size of the sample was limited to 200 to minimize costs where a RM2.00 charge was levied for each name and address requested. After reviewing the list received from the ROS, it was found that half of the sample was not relevant to the study and was eliminated. The researchers then personally requested for another one-hundred names and addresses of the NGOs from various categories including education, commerce, consumer, welfare/orphanage, social and recreation and environment.

In addition to those methods, Internet sources were also used to obtain the related names of NGOs. The

Malaysian Environmental NGOs' website was used as a reference to identify the currently active NGOs, bringing the total sample size to 216. Then, the total sample was thoroughly reviewed in two stages. First, the selection was made based on the Articles of Association (AOA) of each organization. It was found that out of the two-hundred and sixteen organizations, only 133 mentioned social or environmental issues in the AOA. In the second stage, further selection was made based on the nature and function of these NGOs. It resulted in another 83 organizations being eliminated as they were only involved in charitable and welfare activities such as old folks' homes, orphanages and other charitable organizations which in the researchers' opinion would not be actively seeking CSER. This two-tiered screening process finally reduced the sample to 50 organizations, which were identified as currently active and functioned as social and environmental organizations in Malaysia. The organizations came from two categories, namely consumer (11) and environment (39).

Research instrument: The questionnaire used in the paper was identical to that used in Tilt (1994)'s study. However, some minor modifications and additions were made to suit the Malaysian context. The additional information requested in the present study included the demographic information of respondents and whether the respondents were willing to be interviewed with regard to the CSER issue. The purpose of gathering demographic information was to determine the respondents' background. Meanwhile, modification of the instrument involved the rewording of some questions where necessary to ensure understandability and clarity. The survey questionnaire comprises two parts. Part A contains questions on the respondents' demographic details such as position and education level. In part B, the information sought relates to the respondents' awareness and perceptions regarding social and environmental reporting.

Operationalization of mail survey: The questionnaires were mailed out at the end of August. The respondents were supplied with a prepaid and self-addressed envelope to encourage prompt response so as to achieve a high response rate. A cover letter which explaining the nature of the research, together with a definition of CSER was also included. The first mailing was followed by a telephone contact to ensure the respondents received the questionnaires. About 6 completed questionnaires were received during the initial mailing. The first stage of follow-up started at the beginning of October (mailing and phone contact). This resulted in another 5 responses. One

of the limitations encountered in the follow-up phases was that the researchers faced some difficulties in contacting the sample of respondents via phone as some of the organizations' phone numbers were registered under individual names. Hence, it was almost impossible for the researchers to obtain the contact numbers of all NGOs in the sample. Moreover, the limitation was also due to cost constraints as the ROS imposed additional charges to obtain additional information such as current address and contact numbers of NGOs. Despite this, to encourage more response, a second follow-up was done. This resulted in another 6 responses. However, 2 questionnaires were incomplete and were therefore eliminated from the sample.

Post-survey interviews: The study utilized a semi-structured approach that involved a combination of both structured and unstructured settings. It allowed the respondents to express their opinions without any specific boundaries and restrictions, although the interviewer had to steer the interviewing process to ensure that all questions were adequately covered (Farneti and Guthrie, 2009). To conduct the semi-structured interviews, a face-to-face interview approach was selected. Face-to-face interview involves information gathering through a direct in-person communication, involving both interviewer and the respondent(s) (Sekaran and Roger, 2010). There are several reasons that justify the selection of face-to-face interviews. Sekaran and Roger (2010) argue that through face-to-face interviews, any potential doubts can be clarified immediately as they ensure that the questions posed are properly understood by repeating or rephrasing the questions. In addition, the interviewer can pick up non-verbal cues such as frowns, nervous tapping and body language that convey meanings and may benefit the present study (Sekaran and Roger, 2010).

Operationalization of semi-structured interviews: The in-depth nature of the research process imposes some practical limits on the number of organizations and interviews to be conducted. In addition to cost and time constraints, the scattered geographical location of the NGOs restricts the number of individuals to be interviewed to only five. Prior to conducting the interview process, contacts through telephone calls were made to the potential individuals who had participated in the mail survey in which the interviewees explained about the purpose of the present study and the interview session. Only three individuals who holding the post of Executive Director agreed to be interviewed. All these three directors hereby are classified as ED1, 2 and 3

respectively. Appointments were set at the respondents' convenience. A list of questions was emailed to each of the respondents before the interview process to allow the respondents to be prepared in an attempt to gain a rich amount of research data. Each interview was tape-recorded with the consent of the interviewee to prevent the loss of valuable data. In a case where the respondents refused to be tape-recorded, descriptive notes were taken as much as possible. Once the interview was completed, the recorded information was immediately transcribed manually. After the transcribing process was completed, the transcribed data were sent to the respective respondents for confirmation.

RESULTS AND DISCUSSION

In this particular study, the results of the self-administered questionnaire survey and the semi-structured interviews are presented and discussed.

Response rate: After a duration of four months with two follow-ups, a total of 15 usable replies were obtained. About 60% of the questionnaires received came from environmental organizations, while 26.7% came from both social and environmental organizations (consumer NGOs). The remaining 13.3% were from two NGOs which were involved in social and environmental as well as sustainability development issue. Table 1 presents the total number and types of NGOs that responded to the mail survey.

Demographic profile: This section summarizes the demographic information of the survey's respondents. The gender information shows that nine male (60%) and six female (40%) respondents participated in the survey. The respondents represented their own position as chairman or president (13.3%), manager (13.3%), executive committee member (20%) and others (5.33%). The "others" category includes the head of education bureau, secretariat and executive directors. The respondents' ages ranged between 25 and above 45. The majority of respondents (53.3%) were in the age group of 45 years and above while 40% of them were in the age group of 25-34 years old. The remaining 6.7% were in the age group of 35-44. For educational background, the majority of respondents (66.7%) were found to possess a Bachelor's degree or professional qualification, followed

Table 1: Types of organizations

Category	Quantity	Percentage
Environmental	9	60.0
Social and environmental	4	26.7
Others (Sustainability & development)	2	13.3
Total	15	100

Table 2: Respondents' demographic profile

Description	Range	Freq.	Percentage
Gender	Male	9	60.0
	Female	6	40.0
Position	Chairman/President	2	13.3
	Manager	2	13.3
	Executive	3	20.0
	Committee others	8	53.3
Age range	25-34 years old	6	40.0
	35-44 years old	1	6.7
	45 years and above	8	53.5
Education	Bachelor/	10	66.7
	Professional	3	20.0
	Masters/PhD others	2	13.3

by a Master's degree or Ph.D (20%). There were two respondents (13.3%) who had a diploma. The respondents' demographic profile is presented in Table 2.

Survey and interview results: Given that the total number of respondents participated in the survey was very small, only descriptive statistics was used to display the survey results. The post-survey interviews provided further explanation complementing the survey findings.

NGOs as a user of CSER: The survey shows that the number of NGOs (47%) receiving CSER that is sent voluntarily by companies is greater as compared to those who actively seek information on their own (33%) with the majority of NGOs (66%) agreeing that they have read or seen some form of CSER. However, surprisingly, none of the respondents perceive that the amount of CSER is sufficient. The annual report is stated as the most common medium for CSER which is voluntarily issued by the companies, followed by advertisements at 29%. The "others" category for medium disclosure includes environmental safety and health reports and quarterly business newsletters. Similarly, the annual report is also the main medium of disclosure that is actively sought by the NGOs (60%), followed by advertisements (20%) and product label (20%). About 33% of the NGOs actively seeking CSER information and 75% of them claim that they obtain the information directly from the individual company while some of them rely on the media and other non-conventional sources such as websites to gather such information (13% each).

The majority of respondents (66.7%) believe that there should be other types of information to be included in the disclosure. Some of the information suggested is as follows:

- Life cycle analysis of environmental performance and ecological footprint
- Details of environmental performance for each individual premise and site

- Gender, disability and employment issues
- Environmental management plan and the best environmental practice
- Corporate information on actual extent of social and environmental impact together with frequency and their scale of assessments
- Details of a company's environmental policy

The review of past literature suggests that CSER information exists in various modes of reporting media including annual reports (Deegan and Gordon, 1996; Wilmshurst and Frost, 2000; Smith, 1989), stand alone environmental reports (Clarkson *et al.*, 2008), newspapers (Zeghal and Ahmed, 1990; Niskanen and Nieminen, 2001) and other printed media such as press releases, mass-media advertising and brochures (Zeghal and Ahmed, 1990). The extant research, in addition, documents that the rapid wave of development in the information and telecommunication technology has to some extent motivated organizations to leapfrog others and extensively visualized environmental (and social) disclosures in corporate portals to supplement the readily available information in the annual reports (Adams and Frost, 2006; Jose and Lee, 2007; Joseph and Taplin, 2011).

The survey findings are consistent with the previous studies whereby they show that annual reports are the major source of information for CSER. There appear to be many justifiable reasons indicating the annual report as the main source for CSER. According to Wilmshurst and Frost (2000), the annual report is a report whereby disclosures, either mandatory or voluntary, are constantly reported. Moreover, the information included is from a reliable source and possess a certain degree of credibility (Neu *et al.*, 1998). Also, the annual report, being the report that is regularly produced, is highly accessible (Unerman, 2000). Moreover, the annual report is widely recognized as a form of corporate communication between organizations and a multitude of stakeholders where various informative disclosures can be found (Tilt, 1994; Deegan and Rankin, 1997; Smith, 1989).

Prior evidence suggests that information provided in the annual report, either discretionary or mandatory is often embedded together with the motive of legitimizing in an attempt to persuade readers to accept the management's views of societal values (O'Donovan, 2002; Mobus, 2005). Dowling and Pfeffer (1975) argue that in order to construct and maintain organizational legitimacy, the use of symbolic actions that forms part of the organization's public image and the use of symbolic meanings that represents the organization's primary goals, methods of operation and output are often

mobilized. Neu *et al.* (1998) recognize the importance of the communication process to impart and manage public impressions of an organization and disclosure is often used to convey such motive (Brammer and Pavelin, 2006).

Hence, by providing understandable, credible and sufficient level of CSER information in the annual reports, the NGOs are expected to accept the company's activities and this in turn may decrease the chance for unfavorable actions such as strikes, boycotts or lobbying activities. However, the survey is consistent with the findings of Che Ku Kassim and Taib (2015) that the NGOs perceive the information being provided in the annual reports lacks credibility and appears to be insufficient suggesting that although companies may employ CSER as a means of legitimizing their operational activities, such an aim may prove to be fruitless given the current status of the contents of the annual reports. Nonetheless, the results provide strong support for the claims that social and environmental NGOs are one of the user groups of CSER published in the annual reports in Malaysia. The findings are consistent with Tilt (1994)'s study in which she found that pressure groups are one of the influential stakeholder groups in Australia. However, the influence of Malaysian NGOs may not appear to be as strong as the ones in Australia. This can be seen from the figures whereby only 46.7% of NGOs received voluntarily provided CSER in the annual reports, while only 33.3% of respondents actively seek the information and 66.7% have read or seen CSER.

The interview results indicate that the Malaysian NGOs' perception of CSER has been positive. For instance, ED1 regards the function of his organization as: to create awareness, promote sustainable development within the business community in Malaysia. in process of doing that, we also want to educate the public on what is sustainable development. In other words, the public becomes a very important stakeholder (ED1).

The excerpt reflects that awareness among the NGOs in considering CSER as one important agenda looks promising. Moreover, NGOs function as the link between the government and the business community. This is stressed by ED1 as: we want to be a platform between the business sector and the government. We do not want to be a pressure group as such, but only when it is necessary. In fact, any areas of (I will say) disagreement or lack of clarity, we will discuss and work it out ethically.

Hence, the function of Malaysian social and environmental NGOs is not solely to act as pressure groups but more as mediators among the private sector, the government and the public at large. Most of the NGOs were set up with the objective of creating awareness among the public about the business and economic impact on the society as an attempt to educate them on their rights to receive information.

In general, all the interviewees agree that NGOs appear to be powerful. However, such power exists in the forms of negotiation and persuasion. The term pressure group does not seem to be applicable in Malaysia since the NGOs' function is relatively different to that of NGOs in the developed countries. ED1 asserts that: the group pressure does not exist, it is actually a friendly pressure. I will call it as reminder group more than a pressure group. So our pressure is what we call persuasion and demonstration

Based on the interviews, the NGOs perceive their influence and power as heavily dependent on the type of their organization, whether they are advocacy (professional) or non-advocacy (business related). To differentiate the influence between advocacy NGOs and non-advocacy NGOs, ED3 opines that business related NGOs are not "pressure groups" but function more as a watchdog and actively organizing lobbying activities. The influence of non-advocacy NGOs is measured in the form of communication and educational exposure to the society. On the other hand, advocacy NGOs are regarded to be more powerful and influential where they can impose their pressure through an aggressive approach. The NGOs' experiences demonstrate that there are certain cases where advocacy groups in Malaysia have been able to grasp the community and stakeholder involvement to form pressure groups and in turn able to force companies to listen to their voice. However, ED3 opines that such an action may bring a negative impact. Sometimes, the end result is not satisfactory where the action often comes as a negative force not because of the industrial initiatives and willingness to change. A professional approach such as building a close partnership should be used to ensure companies feel socially obliged rather than being subject to pressures from the external groups.

Hence, in that sense, the power of the Malaysian environmental and consumer NGOs is seen to be relatively weak. ED2 comments that: In this country, of course we are not so powerful because of the fact that the democratic institutions are weak. That is sort of pressure that NGOs can exert, let say compared to in Australia that we can exert here are much much more limited. So in that sense, I would say that environmental NGOs and even consumer NGOs are relatively weak (ED2).

In contrast to the NGOs in the developed countries, Malaysian NGOs are not able to organize a boycott with some degrees of success. ED2 adds the reason being that: the problem is an overall democratic constraint in which the press does not give us coverage. Sometimes, we get a blackout completely, sometimes our news is distorted and NGOs in the past have always been looked (upon) as bad guys, including myself. Those are the constraints and even now that is why some people find it difficult to deal with NGOs because they think they are dealing with troublemakers.

The interviews suggest that NGOs face different experiences when engaging with Malaysian companies in the realms of CSER. Some NGOs get negative reactions, while others receive a positive response. In some cases, Malaysian companies seem to be quite uncooperative in participating in the social and environmental issues. In fact, NGOs' attempts to have a joint participation with private organizations normally receive poor responses. As an example, NGOs' approaches to have partnership programs on climate change are not welcome by organizations from the private sector. In fact, a direct approach with their chief executive officer (CEO) also obtains an identical outcome. We are very frustrated with the private company. very disappointing. Forget about report, even direct approach to the issue like climate change (rarely received adequate attention) to me that is another way of measuring their social accountability and environmental accountability and I would say very poor. (ED2)

In explaining such a phenomenon, Arenas *et al.* (2009) argue that a tension emerges between the NGOs and other stakeholders especially the corporations as discrepancies of perceptions between the two parties about the role of NGOs exist. According to Nijhof *et al.* (2008), corporations view the role of NGOs in three different orientations (identity orientation, business case orientation and stewardship orientation). In the first orientation, the role of the NGOs is found to be limited and communication is done mostly one-sided, only by the corporations particularly in the form of information disclosure. The second orientation focuses on a more active engagement with the NGOs in giving suggestions. They also help in setting up the agenda of concern by identifying relevant stakeholders and topics for actions. The final orientation goes beyond the giving of suggestions or criticisms, but more on finding ways to solve the environmental or societal problems. The disparities in the perceptions about the role of the NGOs as perceived by the corporations and the NGOs themselves often result in a severe conflict that further adds to the incongruity of interest among the parties.

Consequently, mutual agreement on certain imperative issues of concern may not even be possible.

On the contrary, there is evidence that NGOs' efforts to persuade companies to incorporate some aspects of corporate social and environmental aspect which have shown some improvements even though they are considered slow as companies have to make many changes in their documentation of CSER. The information that is frequently reported consists of corporate components and commitment to employees, the community and stakeholders and environmental information are the least reported. Perhaps, the reluctance to disclose environmental information is due to the fact that such information may bring unfavorable impact to the organizational legitimacy. Gray *et al.* (1996) discuss at length on communication strategies that are often adopted by organizations to avert any potential threats to the legitimacy status. As suggested by de Villiers and van Staden (2006), organizations keep on increasing and reducing the extent of environmental disclosures and changing the types of disclosures which made from specific to general at times when the organizational legitimacy is at its peril.

Although, corporations may attempt different communication strategies that best suit them, all the interviewees are in common agreement that CSER should be viewed as a means of discharging accountability by the corporations and NGOs as part of the society have a role to play in ensuring that such accountability is exercised. Gray *et al.* (2006) argue that the essence of accountability rests in the relationships between corporations and the society and/or other stakeholder groups of interest. Failure to fulfill this accountability notion may influence the stakeholders to undertake necessary actions that could damage the relationships. Arguably, one of the ways to discharge accountability is by providing relevant form of disclosures of economic impact on the society and the environment. The typical comments are as follows: One of the purposes of the formation (of our organization) is to bring more responsibility in environmental management in the society and corporate sector" (ED3). Is a very simple law of physic. For every action there is a reaction. For every action, there is some impact. Therefore, for everything we do there is an impact on the community and society. So, it just falls in line that it is logical that accountability should be there all the way" (ED3).

However, NGOs perceive that they are facing some difficulties in making a company realize that CSER is actually a part of the company's accountability. For example, ED1 mentions that there are two major problems related to accountability. The first problem is "how to

make companies realize" (ED1) that disclosures of social and environmental information is part of their accountability to the society. It seems that there exists a lack of awareness among the corporate communities on the impact of their business activities on the community at large. The second problem is "how to educate companies to overcome this lack of awareness". Some of the companies may realize or are aware of CSER. Yet, with the absence of pressures on the disclosure part, they may tend to just ignore it. Therefore, "awareness is quite useless if there is only knowledge, but does not translate it into action' (ED2). In overcoming such problems, education may pave the way to a better accountability on the part of the corporate institutions. It is worthy to note that attempts to educate companies in preparing and disclosing CSER information have been initiated with the commitment and support from the professional bodies such as the Association of Chartered Certified Accountants (ACCA), the Malaysian Institute of Accountants (MIA), local authoritiesand universities.

NGOs' action on non-providing CSER: The survey suggests that both direct (13.3%) and indirect (33.3%) approaches may be employed by the NGOs against the companies that fail to provide CSER. The interviews similarly indicate that both approaches are used by the NGOs to influence the reporting practices of the companies. However, there appear to be some constraints on the direct approach that makes it almost impossible to be implemented. There are two major problems with the NGOs in the developing countries such as lack of financial resources and technical expertise. According to Gupta, the NGOs especially in developing countries often works with a number of burdening constraints. Specifically, in the environmental protection agenda, NGOs are increasingly found to suffer from the shortage of financial resources and infrastructure. Because of these limitations, they are often ignored and remained powerless at the policy making level. In addition, Teegen (2003) argues that the lack of trained staff who have the expertise in translating complex social and environmental issues into easily understood problems often hinders NGOs to draw public attention. Consequently, their voices are weak and ineffective.

The apparent limitations of the NGOs perhaps are the main reasons for the indirect approach to be preferred in the process of approaching corporations to engage in CSER practices. Nevertheless, different companies may react differently. Some companies may prefer a direct approach, while other companies may prefer an indirect approach. The common reasons for choosing the indirect approach are that they have freedom of choice (whether

to respond or not to the pressure) and not being pressured by other parties. ED1 reckons that an indirect approach is more valuable, where it can slowly attract the interest of private organizations to be involved in social and environmental practice. Our approach cannot be adversarial or too direct. It's got to be by seduction. Not by force, but by slowly catching the party, make people interested in it. Make people realize why it is important. This is much more proper" (ED1).

Nonetheless, a combination of dual approaches may provide a better result at the end of the process as asserted by ED3: there is no single way to do things. So, to encourage report it must be done in two ways. Direct way is by using various promotional efforts and indirectly is by using third party, either by the NGOs, other organizations, or media to inform them of such things. Therefore, you can involve and invite them to take part in some of the responsibilities.

The most popular way of indirect approach as expressed by ED2 is by creating awareness through the media. He comments that: "So, what you may have there, do your pressures through the media or you may have your pressure tools through government or trade association". Media coverage is the most influential tool used by the NGOs to express an indirect action as it can attract the attention of the public and put pressure on companies to participate in CSER. According to Brown and Deegan (1998) and Patten (2002), the media is being one of the most effective modes of communication. It has a crucial role to play in sensitizing and reporting the detrimental environmental incidents and influencing expectations of the global community. For example, Catellani (2011) indicates on how environmentalists NGOs exploit the media to impart criticisms or attack business firms by portraying them as culprits. Islam and Deegan (2010) argue that the media can potentially create legitimacy gaps and disclosure is found as a means of responding to and participating in the public policy process to alter the stakeholders' perceptions and expectations. Patten (2002) further argues that increased media coverage of environmental issues is likely to heighten public policy pressure by driving public concerns, which in turn leads the affected organizations to make considerable amount of environmental disclosures in an array of reporting media.

However, all the interviewees admit and feel that their NGOs have not done enough to ensure or encourage corporations to participate in CSER and the reason being that they do not specifically focus on the disclosure issue alone. It seems that disclosure is not the main issue of concern as the NGOs feel that having a joint partnership with the corporations is more important to bring about

improvement to the environmental and societal values. ED2 opines that: Not exactly, because we are not working full-time on this issue. The only aspect that we are working in full-time is on the climate change because we have the (other) specific area to focus on.

Nijhof *et al.* (2008) argue that it is crucial for the companies to have a good communication relationship with their related stakeholders in order to establish a balance between corporate governance and public governance. Arguably, having a distress rapport could only bring negative consequences that may not only tarnish the corporate image but may as well affect organizational legitimacy. Yang and Rivers (2009) and Brugos (2012) are incongruent that stakeholder engagements are the critical element that can propel the development of corporate social responsibility practices in turn which this may have a positive impact on CSER. Although the interview sessions reveal that the NGOs do not primarily focus on the issue of disclosures, but positively as expressed by ED1, there is an assurance that CSER is going to be one of the NGOs' concerns in the coming years. from next year onwards, we are going to work very hard in this direction. One of the areas that we look at is; awareness, disclosure, corporate social environmental reporting to (become) much more acceptable to the society" (ED1).

The foregoing findings demonstrate that Malaysian NGOs often opt for a friendly approach. With regard to CSER practice, majority of the NGOs perceiving an indirect action as the most preferred option in exerting influence on companies to provide CSER information particularly in their annual reports.

CONCLUSION

There is a growing awareness about CSER among Malaysian NGOs. Annual reports are considered as the most common medium used to review CSER. Only a small number of the NGOs actively seek CSER, although most of them have actually read or seen CSER. Additionally, NGOs are found to use an indirect approach such as promoting and lobbying activities through the government and authoritative bodies, product boycotting and educating the public to influence corporations to provide more CSER information. The media are often exploited as the most effective medium in the NGOs' indirect approach. However, due to a very small number of respondents, the paper fails to provide evidence on how the NGOs perceive companies in fulfilling their social contract. It is assumed that business entities have a moral obligation and are accountable to disclose the information about their economic impact on the society. Nonetheless,

the results of the post-survey interviews indicate that all the NGOs perceive that companies are accountable and obligated to report on their actions and inactions. Again, since no assertion can be made, the paper is unable to provide the evidence on whether the NGOs perceive that the companies have fulfilled their accountability function to meet the social contract or not. Overall, the results provide some evidences that the NGOs can be regarded as one of the valid stakeholder groups in Malaysia. Hence, their demand and needs for information should be given a priority. However, the Malaysian NGOs' influence may not be as extensive as the NGOs in developed countries such as Australia, the US and Europe. The major reason for this could be due to the fact that the social and environmental NGOs in Malaysia do not claim themselves as the "pressure groups" which similar to those of western countries but more towards adopting an amicable approach. Besides, the social and environmental NGOs in Malaysia do not consider disclosure as the main concern of their organizational activities.

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