Culture and Corporate Social Responsibility (CSR) Reporting: Evidence from China, India, Malaysia and United Kingdom

By

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Abstract

This research documents the CSR reporting practices of 203 multinational corporations operating in eight socially and environmentally sensitive industries in China, India, Malaysia and the UK. Specifically, it is hypothesized that the quality and quantity of CSR reporting varies across countries, and that cultural attributes are amongst the factors that are associated with the differences in reporting. It is also argued that cultural attributes interact with governance and ownership structure in influencing the quality and quantity of CSR disclosure.

Content analysis was conducted on a total of 403 of the companies' annual reports, CSR stand-alone reports, and CSR sections on corporate websites. CSR sentences were identified based on a checklist of 65 items, which had been modified from Global Reporting Initiatives (GRI) indicators. Scores are given based on the quality and quantity of CSR disclosure. The CSR disclosures were regressed against national culture variables, board composition, CSR board committees, governmental ownership, companies' listing status, proportion of subsidiaries located overseas, the existence of a CSR assurance statement and companies' market capitalization. Various sensitivity analyses have been provided. In addition, data on the institutional backgrounds of countries under study was also provided to assist discussion on the CSR reporting practices of companies operating in these countries.

Results show that quality and quantity of CSR reporting practice is different across countries, with UK corporations providing the most CSR information. This is followed by India, Malaysia and China. One of the cultural attributes, i.e. individualism was found to be significant in explaining CSR reporting. The overall results demonstrate that CSR reporting is prominent in the countries in which the

society is individualistic. However, the presence of CSR board committees significantly enhances CSR reporting in companies based in countries in which the society is collectivist. Thus, it is suggested, that culture interacts with corporate governance structure in influencing CSR reporting. The findings are robust throughout several robustness tests. It is inferred that a CSR policy that has been designed in a way that suits the local culture could enhance the quality and quantity of CSR reporting.

Dedication

This thesis is especially dedicated to my husband, Nizam; my son, Mukmin; and my daughter, Mardhiah. Their forbearance, constant love and emotional support have been the source of motivation in pursuing the PhD degree. Also, to my parents who have taught me the value of patience and diligence in life.

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"If we cannot end now our differences, at least we can help make the world safe for diversity."
John F. Kennedy,
(1917-1963)

1 Introduction

1.1 Background

'Corporate Social Responsibility' (CSR) has been the subject of substantial academic debate for over two decades (see Gray et al., 1995a; Mathews, 1997; Gray, 2006; Owen, 2007). In recent years, more issues surrounding CSR have emerged, resulting in widening gaps in the literature. For instance, even though research findings provide consensus on the importance of size and industry in CSR reporting (e.g. Hackston and Milne, 1996; Owen, 2007; Belal, 2008), support is still inconclusive on aspects of general contextual and internal factors influencing CSR (i.e. country of origin, cultural context, corporate governance, corporate culture, adoption of environmental certification and environmental performance, to name a few) (Adams and Kuasirikun, 2000; Haniffa and Cooke, 2005; Sumiani et al., 2007; Archambault and Archambault, 2003; Clarkson et al., 2008; Amran and Devi, 2008). Accordingly, this thesis examines internal and institutional variables that influence CSR reporting.

On a similar vein, researchers employ various theories to explain corporate motivations for CSR reporting. For example, the proponents of legitimacy theory perceive CSR information as strategy for managing the perceptions of society regarding the social and environmental impact of business operations (e.g. Patten, 1992; De Villiers and van Staden, 2006). Views from stakeholder theory demonstrate that CSR disclosure is a response to the demand imposed by stakeholders (e.g. Van Der Laan Smith et al., 2005). Insights from economic theory portray the idea that companies, which provide CSR information, are motivated by the need to reduce the cost of equity capital for companies and to attract future investors (see Murrray et al., 2006; Dhaliwal et al., 2011). Whereas, institutional theory

demonstrates that CSR reporting is a result of institutional arrangements, which eventually brings homogeneity in systems and practice (Rahaman et al., 2004; Ball and Craig, 2010). Given these multiple perspectives, this research explores CSR reporting across countries based on cultural perspectives.

The perspective of culture is assessed since, to date, the issue has received scant research attention, particularly in emerging markets. Moreover, the inferences regarding cultural influence on CSR reporting in cross country studies have been speculative. For example, comparative studies between the UK and the USA (Holland and Foo, 2003), the UK and Germany (Adams and Kuasirikun, 2000), Britain and Germany (Silberhorn and Warren, 2007), Canada and the USA (Buhr and Freedman, 2001) reported that CSR reporting practices vary between countries. These authors also provide the inference that cultural factors explain the variation in CSR reporting practices between countries. Unfortunately, these studies did not empirically test the existence of cultural variables in CSR reporting.

Although some researchers (e.g. Williams 1999; Haniffa and Cooke, 2002; Archambault and Archambault, 2003; Williams 2004) incorporated cultural variables into the disclosure model, their studies provide opportunities for further development in the aspects of measurement and sample selection. For example, the use of dichotomous measures for CSR disclosure provides an incomplete analysis of quality and quantity of disclosure. In addition, the sole use of the annual report for measuring disclosure also provides a distorted picture of CSR practices within companies (Unerman, 2000; Holland and Foo, 2003; Frost et al., 2005). Accordingly, the task confronting the researcher is to tackle methodological issues surrounding CSR reporting research. The major challenge appears to be the need to develop a comprehensive framework for the assessment of the drivers of CSR reporting across countries.

This thesis assesses how cultural factors influence CSR reporting, and interact with other variables (i.e. governmental ownership and corporate governance) in the CSR reporting model. In so doing, it analyses several extraneous variables including business complexity, listing status, the existence of a CSR assurance statement and auditor reputations. Analyses on the institutional background of the countries also add to the understanding of the research findings.

Research examining accounting practice from a cultural perspective has been criticized for contributing little to policy making (see Papadaki, 2005). For example, in the context of voluntary disclosure, it is argued that if the disclosure practice is different from one country to another due to cultural influence, there is little that policy makers can do because the cultural attributes of each nation are slow to change. Even more alarming is that accepting the unchanging influence of cultural attributes prevents the harmonization of accounting regulations.

To counter argue, CSR is a concept with a broader scope than accounting. As an illustration, the CSR concept is intertwined with multiple disciplines and systems such as ecology and society (Parker, 2011); values and ethics (Abeysuria et al., 2007; Loi, 2008); institutional lenses, economic and social systems (Ball and Craig, 2010), to name a few. [1] The ideal of CSR is to establish an accountability relationship between the company, the environment and society. Ideally, CSR reporting should inform stakeholders concerning the impact of business operations on the environment and the society. However, since the reporting is voluntary, researchers are investigating what hinder (or motivate) companies to disclose social and environmental information in corporate reports.[2] Accordingly, it is argued in this thesis that cultural issues and the institutional background of countries should be assessed before analysing the motivation for CSR reporting across countries.

[1] The definition of CSR, and the theories underlying CSR concepts are discussed in Chapter 2.
[2] This thesis only focuses on voluntary disclosures of CSR reporting. Information which has been mandated in some countries has been discarded from the analysis. Table 3.1 presents some regulations on CSR reporting.

More importantly, identifying cultural attributes that interact with firm-specific factors enable policy makers to draft a policy which suits the local culture. This, in turn, ensures homogeneity in CSR reporting. For example, the results of this study suggest that the existence of CSR board committees should be compulsory in a collectivist society. Such a regulation is not seen as appropriate in an individualistic society because that society will voluntarily form CSR committees regardless of policy; perhaps, this is the nature of an individualistic society which governs the way in which their managers behave.

1.2 Research Questions and Objectives

This thesis is developed based on two research questions:

1. How does culture influence corporate social responsibility (reporting) across China, India, Malaysia and the UK?
2. What are the possible factors to explain the differences in CSR reporting between corporations located in these countries?

These questions are relevant for several reasons. Firstly, as mentioned earlier, cross-country research has documented that CSR reporting practices between countries are different (e.g. Buhr and Freedman 2001; Silberhorn and Warren, 2007). Furthermore, there are many conceptual papers that attempt to establish a link between culture and environmental and social accounting (Gallhofer et al., 2000; McKernan and MacLullich, 2004; Abeysuria et al., 2007; Loi, 2008; Zinkin, 2007). Nevertheless, in these studies, the influence of culture on CSR reporting has not been empirically tested.

Secondly, findings of studies that examined culture and corporate disclosure are not consistent. Some researchers (e.g. Haniffa and Cooke, 2002; Qu and Leung, 2006; Huafang and Jianguo, 2007) have not found any empirical evidence for the influence of culture on corporate reporting practice. By contrast, several researchers have documented that national

culture has significant impact on corporate disclosure (e.g. Williams, 1999; Archambault and Archambault, 2003; Williams, 2004). Accordingly, this thesis questions the relevance of cultural variables in the CSR reporting model. It is argued that the interaction of culture with firm-specific factors has not been thoroughly explored in the previous studies.

Finally, there is a claim that the current model of CSR reporting has been developed mainly in the West and thus may not be really tailored to the needs of societies in the East (Kamla, 2007). If such a claim is true, we would expect to see some variation in CSR reporting practices between countries from the East and the West. Likewise, if we hold the claim, we would also expect CSR reporting in India and China would be similar. However, the argument is too simplistic because CSR reporting should be governed by many factors institutionalized within organizations. For example, there are environmental standards which have been mandated in the UK, but not in other countries. In addition, the literature shows that corporate involvement in CSR reporting in developing countries is still in its infancy. For example, factors such as lack of resources, awareness, CSR related knowledge and an absence of regulations have resulted in the absence of CSR reporting in Bangladesh (Belal and Cooper, 2011). However, headlines about the government involvement in CSR issues in Malaysia and China regarding environmental issues appear promising.[3] In regard to the reviews of literature, it has been suggested that a study that employs comprehensive measures for CSR reporting is necessary. Thus, a thorough investigation on the motivation for CSR reporting seems pertinent.[4]

[3] For example, see 'PM is the world's first political leader to take advanced role on environment', 2011; Jacob, 2011.

[4] The reasons why companies in China, India, Malaysia and the UK are examined in this thesis are explained in section 1.4. Chapter 3 discusses general context of these countries.

1.3 Research Objectives

This thesis has three objectives. Firstly, it examines the nature, quality, and extent of CSR reporting of companies across China, India, Malaysia and the UK. This thesis acknowledges previous research on CSR reporting conducted in the UK (e.g. Gray et al., 1995a); in Hong Kong and China (e.g. Xiao et al., 2005.); in India (e.g. Hegde et al., 1997) and Malaysia (e.g. Amran and Devi, 2008). However, these findings are not comparable because there are differences in unit of analysis, reports analysed, disclosure scores and indices (see Hooks and van Staden, 2011). For example, previous studies largely focus on annual reports; and it has been argued that focusing only on annual reports in measuring CSR disclosure provides a distorted picture of CSR practices within companies (Unerman, 2000; Holland and Foo, 2003; Frost et al., 2005; Van Staden and Hooks, 2007). In addition, research that analyses all means of reporting often has small sample sizes because the data is hand-collected; and thus, the findings lack generalizability. In relation to measurement aspects, researchers analyse disclosure quality and quantity using various methods; and as Hooks and van Staden (2011) point out, little is known about the relationship between the quantity and quality of disclosure. To the best of this author's knowledge, there is a lack of research that employs comprehensive CSR data and has a substantial sample sizes.

Secondly, this thesis examines cultural factors as some of the variables influencing CSR reporting. On the basis of the preceding discussion, this thesis aims to minimize the gaps in literature by examining cultural issues using institutional theory. Finally, this thesis investigates the interactional effects of culture with corporate governance and governmental ownership in the CSR reporting model. Specifically, corporate governance has been found to either enhance or hinder voluntary corporate disclosure (Eng and Mak, 2003; Xiao et al., 2005; Haniffa and Cooke, 2005; Wang et al., 2008a). It has been argued that differences between countries explain the inconsistent findings (Eng and Mak, 2003; Huafang and

Jianguo, 2007). For example, Doidge et al. (2007) demonstrates that corporate governance and country variables are correlated. Likewise, researchers have shown that culture influences corporate governance and companies' ownership structure (e.g. Van Der Laan Smith et al., 2005; Li and Harrison, 2007). Accordingly, this thesis examines whether corporate governance influences CSR reporting in the same manner as it does in the voluntary disclosure research; and whether corporate governance interacts with cultural attributes in explaining CSR reporting.

1.4 Scope of the Study

The CSR concept is broad, to the extent that it could be examined from multiple disciplines and theories. From an accounting point of view, researchers can explore the CSR concept, definition, measurement and reporting systems. This thesis only focuses on CSR reporting because, generally, a company cannot measure (and report) something that it does not manage.[5] Accordingly, it is argued here that a researcher could infer corporate involvement in CSR activities by examining their reporting behaviour.[6] However, such an inference should be aided by comprehensive measurement, thus providing a complete picture of CSR reporting within an organization.

This research investigates the cultural influence on CSR reporting using institutional theory. It is argued that institutional theory could successfully describe the legitimacy of CSR disclosure because the literature argues that the process of legitimacy is not only strategic, but is also institutionalised in nature (Suchman, 1995). Stakeholder theory was not relevant because the stakeholder's perspectives in relation to CSR information were not assessed. In this research, the CSR reporting decision is considered as a managerial response to

[5] According to Adams and Frost (2008), CSR reporting systems can be either internal or external. Their interviews with British and Australian companies show that the external CSR reporting system is initiated by internal factors. The scope of this thesis is limited to CSR information which is externally available.
[6] Details on this issue are discussed in Chapter 5.

institutionalised environments. Finally, the assessment of the cultural perspectives of CSR reporting using institutional theory demonstrates that the theory is also capable of discussing the heterogeneity of accounting practices, in addition to the homogeneity.

In order to minimize the complexities involved in the institutional environments of many countries, only four countries were chosen for this study: China, India, Malaysia and the UK. Firstly, according to Hofstede (1980), these four countries represent diverse cultural settings.[7] Secondly, China and India are amongst the largest emerging economies. However, in China, drastic economic growth has caused problems relating to air quality, land use, water and ecological conservation. This in turn, has affected neighbouring countries as well as the rest of the world (see Zhang and Wen, 2008; Wang et al., 2008b; Liu et al., 2010). Thirdly, China, India and Malaysia have experienced significant reforms in corporate governance structure. The reforms in the corporate governance regulations of China and India took place in the 1990s and were as a result of economic growth. Likewise, corporate governance reforms in Malaysia occurred in the late 1990s following the Asian economic crisis.

Finally, these countries represent unique features of CSR reporting requirement. The UK is at a relatively advanced stage in its promulgations for relevant CSR standards and practices. For example, disclosure on employees and corporate risk (including environmental risks) have been mandated in the UK (ICAEW, 2009). Interestingly, India has some mandatory requirements pertaining to CSR issues. For instance, section 217 and 217(2A) of the Companies Act of 1957 mandated a disclosure on the Conservation of Energy and details of employees. Such legislation is still voluntary in Malaysia and China.

[7] As discussed in detail in Chapter 5, in regard to power distance, Malaysia was ranked first, followed by India, China, and the UK. This means that disparity or inequality in social status (due to factors such as social class, education level or occupation) is highly tolerated in Malaysian society. With regard to individualism, the UK society was ranked the most highly, followed by India, Malaysia and China. Chinese society is regarded as collectivist. In regard to masculinity, UK society was regarded as being the most masculine. The higher the masculinity level, the more society treats issues such as recognition, achievement, advancement and challenge as being more important than cooperation and relationship with superiors. Finally, society in India was ranked the most highly in terms of uncertainty avoidance, indicating that the society is rule-oriented, and prefers the existence of rules in making decision (Hofstede, 2001).

This study also placed restrictions on size and industry in the sampling procedures for three reasons. Firstly, with regard to size, previous literature provides consensus that large companies are generally good reporters (see Patten, 1992; Hackston and Milne, 1996; Kolk 2003; KPMG 2005; Owen, 2007). Secondly, large companies face greater political and public pressures than small companies due to the resources and profits they generate. Thirdly, researchers provide support in which, in general, industry affiliation motivates social and environmental disclosure; companies operating in environmentally and socially sensitive industries tend to provide more CSR disclosure than their counterparts (see Halme and Huse, 1997; Milne and Patten, 2002; Yongvanich and Guthrie, 2005; Deegan and Blomquist, 2006; Guthrie et al., 2008; Belal, 2008). Thus, CSR issues should be more prominent in large companies operating in socially and environmentally sensitive industries.

Specifically, a total of 203 large corporations operating in eight industries (i.e. energy; oil and gas; materials; manufacturing; transportation; automobiles and components; alcohol, tobacco, casino and gambling; pharmaceutical, biotechnology and drugs, and utilities) were selected from the Compustat Global and Mergent Online database.[8] Companies from the UK, India and Malaysia were selected from the top 100 lists; whereas, Chinese companies were chosen from the top 200 lists because some reports were not in English.

1.5 Method

Information on CSR reporting was obtained through content analysis of each of the 2008/2009 company annual reports, CSR stand-alone reports, and corporate websites. Annual reports were obtained from the Mergent Online database and corporate websites. All reports were assessed separately, with a total of 403 observations being made. CSR sentences were identified based on a checklist of 65 items, which had been modified from the Global

[8] These companies were ranked based on their market capitalizations.

Reporting Initiative (GRI) indicators. Specifically, the indices have seven main categories: environment, society, labour, human rights, product relation, economics and organizational profiles and strategies. CSR disclosure was measured by quantity and quality. CSR quantity was computed by identifying sentences that met the decision criteria and adding them up according to categories. CSR quality was determined by scoring each CSR sentence with a score ranging from 0 to 4, with '0' for no disclosure; '1' for general rhetorical statement or policy stated; '2' for specific endeavour, descriptive information on implementation and monitoring; '3' for quantitative statement and '4' for the use of targets in addition to publication of quantified results. [9]

Specifically, four main hypotheses are developed: firstly, it is hypothesized that the quality and quantity of CSR reporting differs across countries in China, India, Malaysia and the UK; secondly, it is expected that there is an association between national culture and the quality and quantity of CSR reporting across these countries; thirdly, corporate governance (measured by board composition and the existence of CSR board committees) is expected to influence CSR reporting; finally, it is hypothesized that government ownership influences the quality and quantity of CSR reporting. In relation to the sub hypotheses, it has been predicted that culture interacts with corporate governance and government ownership in the CSR reporting model.

Independent variables in this study include: board composition, CSR board committees, government ownership, individualism versus collectivism and masculinity versus femininity (proxies for national culture). This research incorporates five control variables in its regression analysis: the CSR assurance statement, Big-4 auditor, listing status, proportion of subsidiaries in overseas countries, and market capitalization (proxy for size). In order to achieve the first research objective (i.e. to examine the nature, quality and extent of CSR

[9] The definition of CSR quality and details on research methodology are presented in Chapter 5.

reporting), this thesis employs various tests for robustness and presents the research findings in a comprehensive manner. Firstly, the CSR reporting results are presented based on quality and quantity. The means of reporting used in this research, (i.e. CSR information on annual reports, CSR information on corporate websites and CSR reporting across all reports) are taken into consideration in the presentation of the results. This procedure ensures that the results are comparable with prior studies. Secondly, quality CSR reporting has been employed in this thesis with the use of alternative measures for CSR reporting quality. For example, CSR reporting quality was computed based on dichotomous scores, categories of quality and quality per sentence. This procedure was undertaken because prior literature suggests that there are many ways of measuring CSR reporting. Thirdly, in regard to the complexity of issues relating to culture, this thesis presents alternative models to provide interaction variables and alternative explanations for cultural variables. For example, in addition to the main regression analysis, regression tests are also presented by country. In the sensitivity analyses, alternative proxies for independent variables have been incorporated in the CSR reporting model. These procedures ensure the robustness of the research findings.

1.6 Results

Overall, results show that CSR reporting practice is different across countries; UK corporations provide the most CSR information, followed by India, Malaysia and China. A considerable amount of support was found indicating that CSR reporting is enhanced by the presence of CSR board committees. In relation to cultural issues, results indicate the interaction of individualism with CSR board committees in the CSR reporting model. In the model without an interaction variable, CSR reporting is prominent in countries in which the society is individualistic. However, the presence of CSR board committees enhances the CSR reporting of companies in which the society is collectivist. Accordingly, the existence of CSR board committees is more

effective in China than in other countries. The results show that in Malaysia and China, the quality of CSR information in government-linked companies is higher than in their non-government counterparts. Results based on alternative models, alternative explanations and the various control variables used in the sensitivity analyses show that the findings are robust. A discussion on the institutional background and general context of the countries being studied, adds to the understanding of the results.

1.7 Contributions of the Study

This study contributes to the literature in its research methodology and theoretical framework. Firstly, the research contributes to the CSR reporting literature in emerging markets which has received scant attention from previous researchers. Secondly, the CSR information has been obtained from various sources of reporting: these include; annual reports, stand-alone CSR reports, and corporate websites. The measurement of CSR disclosure has been extended to include both quality and quantity. Alternative measures for CSR reporting have been presented in the sensitivity analyses.[10] Hence, a comprehensive database on CSR reporting practice is provided. Thirdly, the measurement of CSR reporting has been adapted and modified from the GRI, thus enabling this research to be replicated. Finally, the research contributes to institutional theory by analysing the possibility of a theory to describe heterogeneity, in addition to homogeneity, in accounting practice.

1.8 Presentation of Chapters

The thesis is presented in seven chapters. Chapter 1 is an introduction. Chapter 2 presents literature on the association of culture and CSR reporting. The definition of concepts is also discussed in Chapter 2. Chapter 3 discusses the general context of the countries under study; specifically, the chapter relates to the development of social and environmental reporting in each

[10] Details on this issue are discussed in Chapter 2. Section 2.7 presents the contributions of this study in relation to the gaps in the literature.

country to its economic history and its CSR issues. Chapter 4 presents the theoretical framework and hypotheses development. Chapter 5 describes the research design and methodology employed in this study. Chapter 6 presents the results. Finally, Chapter 7 discusses the research findings and draws conclusions.

"Let every individual and institution now think and act as a responsible trustee of Earth, seeking choices in ecology, economics and ethics that will provide a sustainable future, eliminate pollution, poverty and violence, awaken the wonder of life and foster peaceful progress in the human adventure."

-John McConnell, founder of the International Earth Day-

2 Literature Review

2.1 Introduction

This chapter provides literature on the association between culture and CSR reporting. Section 2 discusses the definition of CSR and its reporting and section 3 presents theories underlying CSR disclosure. Section 4 defines culture and establishes the relationship between culture and corporate disclosure. Section 5 discusses the literature on CSR reporting and culture, followed by that of corporate governance and ownership structure. Section 6 describes the literature pertaining to CSR assurance, Big-4 audit firms, business complexity and globalization, industry affiliation, company-specific characteristics and institutional variables.

2.2 Corporate Social Responsibility (CSR)

Since the 1970s, issues surrounding CSR have been discussed in several accounting journals (see Mathews, 1997; Gray, 2002; Deegan and Soltys 2007; Parker, 2011); yet researchers have not provided a single definition of what CSR includes (Owen, 2007). The term interchangeably refers to sustainability accounting (Gray, et al., 1993); social accounting (Cooper et al., 2005); social and environmental accounting (Guthrie et al., 2008); and social, environmental and ethical accounting (Adams and Larrinaga-Gonzalez, 2007).

Accordingly, Owen (2007) describes CSR as a concept that is a moving social construction, that responds to many issues such as ecological and societal changes, moods, social inquiry and researchers' scope of inquiry (Parker, 2011). Generally, the concept aims

to address the limitations of the traditional accounting framework, and it considers the social and environmental impacts of corporate activity (Bebbington and Gray, 2001; Guthrie and Boedker, 2006). In particular, the theoretical model for environmental accounting and reporting has been developed based on several premises (see Jones, 2010). Firstly, from the sustainable development viewpoint, a relationship between industry and the environment is expected because the operation of industry in this planet has put the planet at risk.[11] Thus, the term 'corporate responsibility' arises from the expectations of society on the implicit duty imposed on the industry. Secondly, with regard to the implicit relationship between society and industry, the current accounting system has been criticized because it does not holistically capture corporate environmental impacts. Accordingly, a measurement system that assesses the impact of industry on the environment and society is needed. Finally, because of their stewardship function, companies should report to their stakeholders concerning their environmental (and social) impacts.

This conceptual argument shows that the CSR concept is a broad term which could be examined from multiple aspects of accounting. Hence, this research only focuses on CSR reporting because, at a very basic accounting concept, a company cannot measure (and report) something that it does not manage. [12] Given the scope, CSR reporting is viewed from two perspectives (Gray et al., 1995a). Firstly, CSR is reported as an addendum to conventional accounting activity, which assumes the 'financial community' to be the main users. In this regard, the current accounting system is accepted as the status quo. However, additional information is needed to inform stakeholders about the impact of business

[11]The argument in this paragraph is synthesized from Jones (2010). Specifically, Jones (2010) developed eight premises which theorize the accounting for the environment. The premises start with severe environmental dangers in this planet. In relation to this problem, Jones (2010) argued that industry has a duty to act because industry has a great impact on the environment and society legitimates industry.

[12] Details on this issue are discussed in section 5.3 of Chapter 5. Arguably, a company which is serious in CSR activities should be able to provide disclosures which are comprehensive, quantifiable and comparable against some standards or benchmarks. In contrast, a company which is just mimicking the disclosures could only provide information, which is related to the policy.

operations on society and the environment. Secondly, CSR reporting is placed within the role of information in the organization-society dialogue. This viewpoint expects corporations to play a greater role than just the maximization of profit (Adams, 2002; Gray, 2002); and thus, CSR is viewed in the context of an organizational interaction between a society and all its constituent parts, including its natural environment, employees, communities, and customers. The next section describes several theories of CSR reporting in order to gain a better understanding of the concept.

2.3 Theories underlying CSR Disclosure

CSR reporting can be understood from several theoretical perspectives: decision-usefulness, economy-based agency theory, accountability, stakeholder theory, legitimacy theory and institutional theory. These theories can be viewed from the perspective of users (stakeholders), or preparers (management) of corporate reports. Accountability, decision usefulness and the ethical branch of stakeholder theory are assessed from the users' perspectives; whereas, legitimacy, managerial branch of stakeholder theory and institutional theory are assessed from a managerial perspective. Each theory is briefly discussed next.

2.3.1 Decision-usefulness and Economic-based Agency Theories

The decision-usefulness theory assesses the information needs of stakeholders (in particular the shareholders), whereas the economic-based agency theory examines the extent to which the information disseminated by the corporations could reduce information asymmetry between the corporations and shareholders. Within the CSR context, the question is derived from the premise of whether or not CSR information is useful in helping investors in their decision making.

Previous literature has failed to document consistent support for these theories (see Richardson et al., 1999; Patten, 2002; Lorraine et al., 2004). Parker (2005) argues that the repeated failures of these theories are caused by the attempt to impose an individualistic and economic-based conception of agency onto non-economic communitarian issues. Deegan (2004) argues that the failure of these theories is caused by an inherent assumption concerning 'market efficiency', in addition to problems with the research methodologies employed in the studies. Therefore, the economic-based agency theory has not provided a comprehensive explanation concerning the motivation behind CSR reporting.

However, in recent studies, researchers have reported some findings which have been considered fruitful. For example, Murray et al. (2006) examined whether CSR information contained useful information for the shareholders in relation to the value of the firm. Murray et al. (2006) reported that a direct relationship between share returns and disclosure does not exist. The result was expected because the literature has yet to explain eloquently how CSR information is useful to the shareholders. However, the longitudinal data revealed a significant relationship between financial market performance and CSR disclosure. Their findings indicate that over a long period of time, CSR information contains some value that is credited by the financial markets.

Similarly, in a more recent study, Dhaliwal et al. (2011) examined the potential benefits of initiating voluntary disclosure on CSR activities in reducing firms' cost of equity capital. [13] They reported that companies that have provided stand-alone CSR reports in the previous year enjoy a reduction in the cost of equity capital in the following year. In relation

[13] This argument is consistent with the positive accounting theory (Watt and Zimmerman, 1986). For example, it is argued that companies with high levels of debt have more restrictive covenants to protect lenders and to make lending attractive. Accordingly, companies are providing disclosures, which are in tandem with the global requirements (see Webb et al., 2008). This includes preparing CSR reports based on the GRI. In addition, political costs hypothesis also fits into the discussion, that large and politically visible companies have incentives to show high commitment towards CSR issues.

to the research method, Dhaliwal et al. (2011) and Murray et al. (2006) both conducted longitudinal studies. Accordingly, it can be argued that an improvement in research methodology could demonstrate the usefulness of economic theory in explaining CSR reporting (see Clarkson et al., 2008).

2.3.2 Accountability Theory

Another way of understanding the CSR reporting concept is through accountability theory. In general, accountability theory attempts to describe the relationship between the accountor and the accountee, where the accountee has a duty to provide an account of the actions for which an accountee is held responsible to the accountor (Gray et al., 1996). Accountability theory views CSR disclosure as reflecting and discharging the responsibilities and subsequent accountabilities of organizations (Murray et al., 2006). This theory leads researchers to take a societal point of view, and they are motivated by 'democratic concerns about the rights to information and the means by which organizational behaviour might be controlled by society' (Murray et al., 2006, p. 230). Another viewpoint of accountability is through the stewardship function of corporations or industry; this means that a direct party should be held responsible for activities occurring on this planet. Additionally, from the viewpoint of sustainable development, all parties are held accountable for the degradation of the world, or any societal issues occurring. Thus, a corporation is held accountable for reporting any of its activities that have a direct, or an indirect impact, on the environment, or on society.

The accountability relationship which exists between the organizations (accountee) and society (accountor) is implicit in nature. Thus, discussion surrounding this theory may be eloquently phrased in conceptual papers (see Abeysuria et al., 2007; Loi, 2008), but is scarcely proven in CSR reporting research (see Parker, 2005; Adams and Frost, 2008).

Perhaps, this direct and explicit relationship only relates to the rights of financial stakeholders, by virtue of accounting standards and regulations (see Guthrie and Abeysekera, 2006). Accordingly, it may be wise to describe accountability theory by identifying specific user groups who demand the provision of social and environmental information in corporate reports. This leads to a discussion on stakeholder theory.

2.3.3 Stakeholder Theory

Stakeholder theory defines a stakeholder as any group or individual who can affect, or is affected by, the achievement of the corporation's objectives (Freeman, 1984). The concept of the stakeholder implies that various stakeholder groups such as shareholders, employees, creditors, suppliers, customers, government and local community can have interest in a corporation's activities and behaviour (Qu and Leung, 2006; Deegan, 2006). Accordingly, these stakeholder groups expect an organization to report its activities and they have the implicit right to be provided with information as to how organizational activities will impact on them, even if they choose not to use the information, and even if they cannot directly play a constructive role in the survival of the organization (Deegan, 2006).

Deegan (2006) suggests that there are two branches of stakeholder theory: the ethical branch (moral) and the positive branch (managerial). The ethical branch argues that all stakeholders have the right to be treated fairly by an organization, and that managers should manage the organisation for the benefit of all stakeholders. Managers disclose information to stakeholders because it is their responsibility to do so. This branch of the theory expects that companies, due to their moral obligations, will disclose information to their stakeholders.

An opposite version of the ethical branch is the managerial or positive branch. This branch of the theory predicts that corporate disclosure is driven by the degree of power or control that the specific group of stakeholders have over the company's resources.

Accordingly, an organization will not respond to all stakeholders equally, but only to those who are deemed to be more powerful. Stakeholder demands include provision of information about the activities of an organization, and thus, the CSR disclosure is expected to be demand-driven (Guthrie et al., 2004; Yongvanich and Guthrie, 2005; Deegan, 2006).

Deegan (2006) indicates that the separate consideration of the two branches of stakeholder theory gives an incomplete view. In fact, these views are not mutually exclusive and are related to each other. Therefore, researchers often adopt the two branches of the theory simultaneously (Yongvanich and Guthrie, 2005), or, indicate explicitly the branch of stakeholder theory to which they refer (e.g. Boesso and Kumar, 2007). Stakeholder theory is closely linked to legitimacy and the two are often used to complement one another (De Villiers and Van Staden, 2006). The following describes legitimacy theory.

2.3.4 Legitimacy Theory

Legitimacy theory is concerned with organization-society negotiation in a pluralistic world. In this vein, organizations continually seek to ensure that they operate within the bounds and norms of their respective societies. Corporations attempt to secure legitimation through their activities. Lindblom (1994) suggests four strategies of legitimation, namely: to educate and inform stakeholders about actual performance; to change stakeholder perceptions without changing behaviour; to distract attention away from the issue of concern and to change external expectations about performance. These strategies are important in explaining the variations concerning CSR reporting practices across the world.

Legitimacy theory stems from the notion that, between the organization and society, there exists a ‘social contract’ (Guthrie et al., 2004). The social contract is used to represent the multitude of expectations that the society has on how an organization should conduct its operations (Guthrie et al., 2004). Organizational legitimacy is achieved when its value system

matches that of the social system of which it is a part, and is threatened when there is a mismatch (Lindblom, 1994; O'Donovan, 2002). Accordingly, organizations continually seek to ensure that they operate within the bounds and norms or their respective societies (Guthrie et al., 2004).

De Villiers and Van Staden (2006) explain that the notion of legitimacy is about disclosure. A company would voluntarily report on activities if management perceived that the particular information is demanded by the society in which it operates. Disclosure is also prominent when a company is faced with a legitimacy threat (Deegan, 2002). For example, large corporations operating in an environmentally sensitive industry face a threat to legitimise their operations to the public, due to the large amount of profit they generate. As such, disclosures are used as a means through which these corporations dispense to their stakeholders, information relating to their impact on society and the environment. Factors such as pressure from press releases, size and the antecedent of environmental incidents force companies to adopt legitimacy as their strategy.

Although legitimacy theory seems to be leading the CSR reporting research (e.g. Deegan, 2002; Deegan et al., 2002; De Villiers and Van Staden, 2006; Cho and Patten, 2007), Parker (2005) points out several limitations of legitimacy theory. Firstly, it ignores the concepts of accountability and transparency. Secondly, it lacks specificity and there is a suspicion that it still privileges financial stakeholders in its analysis. Thirdly, it has the uncertain ability of anticipating and explaining managerial behaviour. Finally, as Deegan (2002) and Gray et al. (1995a) claim, legitimacy theory suffers from problems that include an apparent conceptual overlap with the political economy of accounting theory and institutional theory.

2.3.5 Institutional Theory

Institutional theorists assert that institutions are less likely to change than other structures (Zucker, 1977), bringing about stability and inertia or the homogenization of organizations (i.e. isomorphism) (DiMaggio and Powell, 1983). Scott (1995) explains that institutions are comprised of structures and activities that provide stability and meaning to social behaviour. The structures are termed as cognitive, normative, and regulative.

The cognitive structure (also referred as to mimetic isomorphism) describes what seems to be institutionalized in an organization as being culturally supported and conceptually correct (DiMaggio and Powell, 1983). As a result, organizations tend to copy or model procedures used in other organizations, if such practice is perceived as conceptually correct (Rahaman et al., 2004). In the case of CSR reporting, similar businesses competing in the same industry are more likely to benchmark and imitate those companies considered to be superior.

Normative isomorphism deals with the pressure to conform to a set of norms and rules developed by professional and occupational groups. This structure maintains the appropriateness of shared values within the organization. For instance, the existence of global standards such as GRI and AAA8000 or the Accountability Model promotes the CSR reporting practices of multinational corporations. Professional accounting bodies such as ACCA or KPMG also play a role by providing guidelines through which some CSR information may be disclosed; these bodies also relate CSR disclosure to some of the established accounting standards (see ICAEW, 2009). In particular, the normative structure explains why companies adopt certain CSR standards, despite the fact that such adoption is voluntary.

Finally, regulative structure, also termed as coercive isomorphism, refers to the role of regulation in bringing about institutionalization. It refers to the source of the pressure to

conform to institutionalised procedures (Rahaman et al., 2004). For example in Malaysia, it has been argued that the coercive structure, i.e. the government involvement in CSR activities and its investments have influenced the extent of CSR reporting amongst government-linked-companies in Malaysia (Amran and Devi, 2008).

Amran and Devi (2008) argue that institutional theory is relevant when describing CSR reporting practices of government-link companies (GLCs) in Malaysia. They have documented that the GLCs are generally good reporters because the CSR agenda is institutionalised within the companies through government influence. Rahaman et al. (2004) also contend that government units, highly regulated organizations, and private sector organizations, which are all highly dependent on public financing, are prone to having an institutionalised environment. Accordingly, CSR activities are institutionalised in these companies resulting in an improvement in the amount and quality of disclosure.

Adams and Larrinaga-Gonzalez (2007) suggest that institutional theory is more potent than other theories as an explanation of social and environmental accounting. This argument is based on the premise derived from the process of legitimation. They assert that legitimation is not only strategic, but also institutional, in nature (Suchman, 1995; Milne and Patten, 2002). Thus, the proponents of institutionalism depict legitimacy as a result of congruency between an organization and its cultural environment, with a greater focus on the cognitive rather than the evaluative side (Amran and Devi, 2008). This point shows that legitimacy and institutional theories are closely related.

The preceding discussion shows that CSR reporting could be understood and examined from various perspectives. In relation to the discussion of culture and CSR reporting, this research will specifically use institutional theory. Reasons for this choice are described in Chapter 4. The next section defines culture and discusses the relationship of culture with accounting.

2.4 Culture and Accounting

Withrop (1991) defines culture as the arrangement of beliefs and customs through which social relations are expressed. It can also be interpreted as a set of standards for behaviour that is considered authoritative within a society (Withrop, 1991). Hofstede (1980, p. 5) refers to culture as 'the collective programming of the minds which distinguishes the members of one group from another'. Such mental programming could exist in several layers at various levels including national, regional, ethic, religious affiliation, gender and social class levels, in addition to organizational and corporate levels. Hofstede (1991) contended that culture is associated to values, which hardly change over time.[14]

Given this definition, based on a survey of 117,000 IBM employees, Hofstede (1980) expresses culture in four dimensions, namely: power distance, individualism versus collectivism, uncertainty avoidance, and masculinity versus femininity. These cultural taxonomies explain the differences in individuals' behaviour from country to country. Power distance refers to the extent to which unequal distribution of power is tolerated within a society. Individualism is the extent to which the individual acts independently as opposed to collectivism where people prefer to be in a group. Uncertainty avoidance refers to the situation where people feel threatened by unknown situations. Masculinity represents stress on achievement, heroism, assertiveness and material success; whereas, feminine society emphasizes relationships, modesty, caring for the weak and for quality of life (Hofstede, 1980; Hofstede, 2001).[15]

Baskerville (2003) claimed that there has been overwhelming citation of Hofstede's works in management-related disciplines and psychology. However, the citation level was relatively low/medium in sociology and anthropology because Hofstede inherited all the

[14] According to Hofstede (1991), values are opposite to practices: practices can be modified and changed, but not values.

[15] Later work by Hofstede (2001) added another variable, short versus long-term orientation but this has not been studied widely. Details on Hofstede's cultural measures are in Chapter 5.

methodological flaws from George Murdock's research.[16] For example, the assumption of equating nation states with cultures is conceptually invalid in anthropology because it treats a bi-cultural nation as a single culture. Baskerville (2003) argued that the quantification of culture based on numeric dimensions and matrices is a fallacy as cultural dimensions are more complex than the statistical data can present. Furthermore, Hofstede has challenged mainstream social sciences by not 'being within' when analysing the cultural dimensions. In a similar framework, McSweeney (2002) criticized that Hofstede's cultural dimensions never existed. McSweeney (2002) argued that surveys are not a suitable way of measuring cultural differences. Moreover, the data obtained from one company (i.e. IBM) cannot provide information about the entire national culture; and nations are not the best units in studying cultures (see McSweeney, 2002).

Hofstede eloquently answered all these critiques in several papers (e.g. Hofstede, 2002; Hofstede, 2003). Although he admitted that his study has limitations from the perspective of anthropology, Hofstede maintained there is a place for his methodology. For example, he refuted Baskerville's argument by bringing Chapman (1997) into the discussion. Hofstede pointed out a claim made by Chapman (1997), in which Chapman argued that Hofstede's works were accepted in anthropology.[17] In addition, the statistical analysis in his study was methodologically sound because it had been conducted across 40 countries, with a total of 90 significant and independent correlations in several validation tests (see Hofstede, 1980). Thus, the claim that his study was statistically invalid was rejected. Moreover, Hofstede considered his study as an exploratory research, not as a finished theory (see Hofstede, 2003). In response to the comments that the IBM data was obsolete, he repeated the study in 1991. The recent findings show that his study is still robust after several decades of the original

[16] Baskerville (2003) claimed that Hofstede replicated George Murdock's research. Murdock's work appeared in Human Relations Areas Files in 1949 (see Baskerville, 2003, p. 6)

[17] Unlike Hofstede, an accountant, Chapman is an anthropologist. Chapman (1997) wrote several paragraphs, which show an admiration of Hofstede's research.

work (see Hofstede, 2001).[18] Given the above, this thesis employs Hofstede's cultural variables in the CSR reporting model.

2.5 Culture and Corporate Reporting Practice

On the basis of Hofstede's framework, Gray (1988) developed another four cultural accounting values that specifically relate to corporate reporting practices. These include professionalism versus statutory control, uniformity versus flexibility, conservatism versus optimism and secrecy versus transparency. He argues that if Hofstede (1980)'s framework is correct, the link between societal values and accounting can be established and the influence of culture can be assessed.

Gray (1988) suggests that disclosure relates to secrecy. Secrecy increases with uncertainty avoidance and power distance, and decreases with individualism and masculinity. If this assumption is correct, it would suggest that culture plays a role in explaining the difference in the corporate disclosure of countries throughout the world. For example, in the context of China, Chinese society is characterized as having high levels of collectivism and power distance and strong uncertainty avoidance. Chinese society tends to adhere to rules and regulations and disclose less information in their annual reports voluntarily. Therefore, it is argued that Chinese culture does not promote voluntary disclosure (Huafang and Jianguo, 2007). Chau and Gray (2001) confirm the secretive nature of Chinese reporting practices in their comparative studies between Hong Kong and Singapore and US and UK companies.

However, in a more recent study, Qu and Leung (2006) found that, regardless of the notable secrecy level of Chinese society, Chinese listed companies are now more willing, than in previous decades to provide voluntary information in their corporate annual report. In the study, Qu and Leung (2006) investigated whether voluntary disclosure in regard to

[18] Chapter 5 in this thesis describes studies that replicated Hofstede's works.

corporate governance can be found in the annual reports of Chinese listed companies as a result of the changed cultural environment. They developed a checklist of 120 items of corporate governance related information[19] with a dichotomous score of 1 or 0.

Content analyses for 120 companies showed that 85 per cent of the sample is represented by disclosing companies. The most frequently disclosed area is stakeholder interest. Voluntary disclosure of human resource policies, internal management structure and workplace development initiatives were also found. It was also found that companies in China prefer to disclose at least some information in regard to social and environmental performance. In essence, the results demonstrated that voluntary disclosure in Chinese society has improved despite the argument that the society is generally secretive (Qu and Leung, 2006).

Likewise, Cheung et al. (2010) also reported an improvement in voluntary disclosure of Chinese corporations during a period of 2004 to 2007. Cheung et al. (2010) measured the disclosure levels of Chinese Listed Companies during the period 2004 to 2007. They developed 56 questions for assessing transparency; of which 32 were related to voluntary disclosure. Disclosures were compared to the OECD standards and scores were given based on three criteria: poor (if disclosure is below the standard requirement); fair (if the disclosure meets the requirement) and good (if the disclosure is beyond the standard requirement). Analysis of 100 companies using a 4-year sample period showed that overall, voluntary disclosure improved during the 4 years whereas this was not the case for mandatory disclosure. Overall, they reported that size, listing status, and corporate ownership structure influence the voluntary disclosure practice of Chinese listed firms. Accordingly, due to the

[19]The 'corporate governance related' information encompasses categories including board structure and functioning, employees related issues, director remuneration, audit committee, related party transactions, controlling shareholder's interests, stakeholder interest and compliance with relevant corporate governance principles.

existence of these factors, an argument that Chinese disclosure is relatively low due to secrecy has not been conclusively supported.

Moving from China to Germany, Gray (1988) argues that disclosure levels of companies in Germany and the UK are different due to the influence of national culture, and that Germans are generally secretive. Testing this argument, Adams and Kuasirikun (2000) conducted interviews investigating the voluntary disclosure practice of pharmaceutical companies in the UK and Germany. Disclosure analysis was limited to ethical information only. Findings show that German firms are clearly not more secretive than the UK companies with regard to ethical reporting. Therefore, the finding infers that research that investigates the influence of culture on CSR reporting at international level should be comprehensive; and it should examine culture in broader aspects than those of secrecy or transparency (Adams, 2002; Adams, 2004).

In another instance, Haniffa and Cooke (2002) also failed to prove the existence of cultural attributes in the disclosure model. They hypothesized that cultural factors such as the composition of directors on a board, the race, background and qualifications of a firm's directors and chairperson are important determinants of corporate voluntary disclosure. A regression analysis of the annual reports of 167 companies for the year 1995 documented an insignificant influence of culture on voluntary disclosure. Haniffa and Cooke (2002) argue that the insignificant findings were caused by omitted variables that were not captured in the disclosure model.[20] For example, the disclosure model should have included variables such as government policy (Mohd Ghazali, 2007), economic incentives (Williams, 2004), religion

[20] Later, Haniffa and Cooke (2005) extended the study to CSR disclosures. They examined year-1997 and year-2002 annual reports of 139 Malaysian corporations. They reported that companies managed by Malay board of directors disclosed CSR information highly. They concluded that culture influences CSR disclosure by means of board ethnicity (i.e. Malay versus non-Malay variables). However, since the sample was drawn from a single country, generalizability of the findings are limited. Moreover, since many government-owned corporations in Malaysia are led by Malay, the argument that culture influences CSR disclosures solely is contestable. For example, Amran and Devi (2008) conducted a study similar to Haniffa and Cooke (2005); they demonstrated that government-owned corporations disclosed CSR information more than non-government owned companies in the annual reports. Accordingly, this thesis argues that government affiliation interacts with culture in a CSR reporting model. This issue will be discussed further in Chapter 4.

(Archambault and Archambault, 2003), globalization and legal environment (Webb et al., 2008).

Heidhues and Patel (2011) provide an explanation of why research that examines the influence of culture on accounting often produces insufficient evidence to support theoretical arguments. They argue that accounting should be examined based on its context, rather than on categorization, simplification and generalization. Accordingly, to assume that corporations in Germany disclose less information in annual reports due to their secrecy level is too simplistic because cultures are more complex in their dynamics than is presented in Gray's cultural taxonomies. Hence, the use of only the Hofstede-Gray's taxonomies in a theoretical framework might provide a misleading and dubious conclusion regarding the influence of culture on accounting. Therefore, to assist discussion on corporate disclosure from a cultural perspective, the context and institutional background of the countries under study should be examined.

Researchers who provide a model which captures the effects of institutional factors on disclosure practices are eloquent in their description of the effect of national culture on corporate disclosure (e.g. Archambault and Archambault, 2003; Williams, 2004). For example, Archambault and Archambault (2003) argue that national culture; national political systems and corporate financial and operating systems are all important determinants of corporate disclosure practices throughout the world. Their analysis of 761 companies from 37 countries revealed that Hofstede's national cultural variables are important determinants of corporate financial disclosure. In addition, disclosure is influenced by factors from a broad range of social systems; such as culture, politics, economics and corporate characteristics. Accordingly, the literature implies that investigation of corporate disclosure requires control for a variety of factors in the corporate disclosure model.

Taken together, previous literature documented inconsistent support for the influence of culture on corporate voluntary disclosure. More importantly, previous studies also indicate that the examination of cultural influence on corporate reporting practice should be based on a comprehensive model incorporating all aspects that motivate and constrain disclosure behaviour. Factors such as globalization, listing status, a country's economic development, legal and institutional environments, should be included (see Cheung et al., 2010; Webb et al., 2008). In addition, attention should also be paid to the fundamentals of culture: i.e. religion and ethics.

2.5.1 The Intervening and Moderating Effects of Culture

While the reasons for the insignificant effect of culture on reporting practices could relate to the research method, some argue that cultural influence on behaviour has a dysfunctional effect in this modern, global world because of a number of factors. For instance, the internationalization and globalization of financial markets, as well as the significant number of managers with overseas educational qualifications, may result in national culture having a less significant effect on reporting practice and managerial behaviour (Ghauri and Gronhaug, 2005). This argument leads to a discussion of the influence of religion and ethics on managerial behaviour and thus, on disclosure.

Factors such as religion, ethics and values may also relate to CSR concepts. Fundamentally, since religion is the core of culture (Faruqi, 1989), and because religion requires virtuous ethics; religion could also influence CSR reporting. For instance, Archambault and Archambault (2003) found that the co-efficient for religion (except for the Jewish faith) is significant in explaining corporate disclosure practice. In addition, they also found substantial evidence to show that Islam influences corporate disclosure positively. This finding is consistent with the argument that Islamic teachings should have promoted full

disclosure and enhanced transparency (Baydoun and Willet, 2000). However, the finding is inconsistent with the negative relationship reported by Hamid et al. (1993). Accordingly, as with culture, the relationship between religion (religious affiliation) and CSR may not be straightforward as it may well be moderated by other factors (Weaver and Agle, 2002; Adnan and Sulaiman, 2006).

However, conceptual papers provide eloquent arguments for the positive influence of religion on CSR. For example, Agle and Van Buren (1999) reported a very small positive association between religious beliefs and attitudes toward statements of corporate social responsibility (Weaver and Agle, 2002). Abeysuria et al. (2007) argue that a society which adopts a moral code consistent with Buddhist teaching in addition to Adam's Smith philosophy, may produce corporations that provide better economic, ecological and social outcomes. Likewise, Loi (2008) puts forward an argument that Christian principles such as honouring God, God's creation, neighbours, the great commission and concepts of eternity, should have promoted better comprehension of CSR principles; which he then termed as faith-based CSR. Furthermore, Zinkin (2007) suggests that the tenets of Islam as a religion are consistent with the ten CSR principles proposed by the UN Global Compact.

With regards to values, Hofstede (2001) argues that values are culturally based. Waldman et al. (2006) examined the extent to which cultural and leadership variables are associated with the social responsibility values of top management and team members. The results of surveys of managers of 561 firms from five continents revealed that institutional collectivism and power distance determine the CSR values of managers in their decision making, and that ethics and values are both important in CSR. If the values of managers in a country could be aggregated, it could be argued that the reporting practices of a company operating in the country might reflect the aggregated social values of that country.

Accordingly, if the teachings of values and religion are truly practised in one's society, one would expect a positive contribution of religious affiliation to CSR practice, and thus to the reporting of it. However, as previously stated, the influence of religious affiliation on behaviour is complex. Thus, in the examination of the cultural impacts on CSR reporting, this thesis acknowledges the existence of ethical paradigms and values of managers, but a thorough examination of this issue is left for future research.

2.5.2 Empirical Research: Culture and CSR Reporting

CSR reporting literature provides some insight into the influence of culture on CSR disclosure. Previous research on this issue was conducted based on content analysis of corporate reports, interviews or surveys of corporate managers or stakeholders. The following discusses the literature.

Buhr and Freedman (2001) compared the environmental disclosures produced by Canadian and US companies. Data was compiled from annual reports, security exchange filings and environmental reports for the years 1988 and 1994. Information on environmental disclosure was obtained from content analysis and a comparison was made on a matched-pair basis. The findings show that Canadian companies increasingly provide more voluntary information especially in environmental reports. The US companies, on the other hand, tend to provide more of the mandated disclosure in the annual report. Although Buhr and Freedman (2001) do not directly investigate the influence of culture on CSR, they provide support for the difference in CSR reporting practices between countries. However, further investigation is needed to demonstrate that the variation was influenced by culture.

De Villiers and Van Staden (2010) examined the shareholder requirements for CSR disclosure through a survey of 474 members of shareholders associations from the US, the UK and Australia. They asked about the need for CSR disclosures in corporate annual

reports. The findings showed that shareholder expectations for environmental reporting across countries are different; with Australian shareholders being the most positive about the need for environmental reporting, followed by shareholders from the US and the UK. Their findings infer that the need for CSR information varies across countries and such a variation is examined in this thesis.

Silberhorn and Warren (2007) demonstrate that corporate culture determines the general attitude towards CSR reporting. Specifically, they interviewed senior managers of 40 British and German companies, in addition to performing content analysis on the companies' websites. The website analyses and interview results show that CSR practices and disclosure are predominantly motivated by company performance, followed by corporate values, and response to stakeholder pressure. Interestingly, the frequency of issues varies noticeably between nations. British companies emphasize education, human rights and animal welfare more often than German firms. In contrast, German companies give significantly more emphasis to cultural diversity, and especially to the arts and cultural aspects. Additionally, British companies clearly pay more attention to the stakeholder groups than German firms. Silberhorn and Warren (2007) explain that a more 'laissez faire' attitude in the UK passes the social responsibilities of corporations on to the market, whereas in Germany, the welfare state has already introduced stricter legislation in areas such as employee rights and green issues. However, the influence of culture in Silberhorn and Warren's (2007) findings remains speculative because the variable was not tested empirically in their study.

Holland and Foo (2003) attempted to discover the differences in disclosure between the UK and the US and examined how and why these arise. They examine the extent to which the legal and regulatory framework of a country can regulate environmental activity and thus influence environmental performance and determine the types of disclosure made. Specifically, they analysed 37 annual reports from four industries; namely the chemical,

mining, oil and gas, construction and power industries; 19 of them were from the UK and the rest were from the USA.

Their content analyses of the year 2000 annual reports reveal several important findings. First, Holland and Foo (2003) found more companies in the UK produced stand-alone reports and/or included a separate environmental section in their annual reports than their US counterparts. Additionally, the UK and the US corporations placed differing emphases on the environmental items disclosed in the annual report. For instance, UK firms were largely concerned with the management of environmental activities through management systems. Finally, Holland and Foo (2003) report that, in response to user needs for such information, environmental disclosures of these firms also appear to be clearly identified. However, the US firms clearly have a more legislative emphasis, where the annual reports were produced in response to the legislative requirements. Since Holland and Foo's (2003) studies are exploratory, the research could be extended to empirically examine the cultural influence on CSR reporting.

Williams (1999) made an attempt to incorporate a national cultural variable in the voluntary environmental and social accounting disclosure (VESAD) model. She used two of Hofstede's cultural attributes to measure the influence of national culture on VESAD. The study hypothesizes that the levels of uncertainty avoidance negatively influence the extent of VESAD. To illustrate, companies that operate in a society which has high levels of uncertainty avoidance have a preference for secrecy because there is a need to restrict information for the avoidance of possible conflict and uncertainty of competition and to ensure the preservation of security in the society (Williams, 1999). Firms in more masculine-biased societies disclosed less social and environmental information because they encounter

lower social expectations and demands for information related to environmental and social matters.[21]

Williams obtained VESAD information from annual reports for the year 1994 of 365 companies across Australia, Singapore, Hong Kong, Philippines, Thailand, Indonesia and Malaysia. A total of five variables (i.e. culture, political system, civil system, legal system and equity market) are expected to explain the variations in the quantity of VESAD across the seven countries.

For the national culture variable, Williams (1999) found that uncertainty avoidance and masculinity are statistically related to the VESAD. Accordingly, Willams' (1999) model has provided support to explain the variation in CSR disclosure by companies in the Asia-Pacific region; this is due in part to the comprehensive model she developed. However, the VESAD model was tested, based only on its quantity. Aspects of quality, nature and specificity of information are thus identified as a research gap that is examined in this thesis.

Van Der Laan Smith et al. (2005) performed an analysis on CSR disclosure which is more comprehensive than that of Williams (1999) because they examined both the quality and quantity of the disclosure. They conducted a content analysis of annual reports of 32 Norwegian/Danish companies and 26 US companies in the electric power generation industry. Based on Hofstede's (2001) masculinity-femininity concept, they contend that a masculine society is more concerned about power and economic status, whilst a feminine society puts more emphasis on social goals such as relationships, helping others, and the physical environment. As a result, the level CSR reporting is expected to be greater (in terms of quality and extent) in a feminine society, than in a masculine society. Given this, Van Der Laan Smith et al. (2005) hypothesize that the rate of CSR reporting in Norwegian/Danish companies should be higher than in US companies. Although the findings provide significant

[21] This thesis argues that the relationship between masculinity and CSR reporting could either be positive or negative. Details on this issue are discussed in Chapter 4.

support for the variations in quality and extent of CSR reporting in these countries, their findings contained some limitations that have been overcome in this thesis. First, the sample used in their study was small and limited to electric power generation only. Furthermore, the content analysis was incomplete, as it only covered annual reports, and disregarded the disclosure of other means of reporting.

As mentioned elsewhere in this chapter, CSR disclosure in general is a complex phenomenon and cultural variables alone may not be sufficient predictors of the disclosure practices of a country. This thesis advocates a framework similar to Heidhues and Patel (2011), that the general context of countries should be understood when inferring the influence of culture on CSR reporting practices. For example, Cahan and van Staden (2009) conduct a study addressing CSR disclosure within the context of race and ethnicity in South Africa. They argue that economic empowerment of the black people in South Africa is a pertinent issue in corporate reporting because of the country's past and continuing racial inequities. They examine if the preparation of the value added statement (VAS) by South African companies is associated with the actual performance in the labour-related area. Actual labour-related performance was measured based on the black economic empowerment (BEE) rating. It covered aspects including ownership, management, employment equity, skill development, affirmative procurement, enterprise development and corporate social investment. The publication of the VAS was measured based on a binary value of '1' for the existence of VAS, and '0' otherwise. Logistic regression analysis of year 2002 annual reports of 186 companies show that companies with a higher BEE rating are more likely to produce a VAS; thus, Cahan and van Staden (2009) suggest that South African companies used the VAS to establish their substantive legitimacy with labour. Interestingly, their findings infer that the institutional context of a country under study is important to describe CSR reporting practices.

Taken together, there appears to be inconsistent support in the literature on the influence of culture on CSR reporting. More importantly, the cultural influence on accounting is not straightforward; thus, a researcher should not neglect the discussion of the context within which the accounting is established in the specific research environment.

2.5.3 Empirical Research: CSR reporting and Corporate Governance

To understand how corporate governance influences CSR reporting, this thesis reviews the association of corporate governance and CSR disclosure from the voluntary disclosure research. This is because the area is well explored and also because CSR reporting is one of the elements in voluntary disclosure (a point which has been discussed in section 1 of this Chapter).

Boesso and Kumar (2007) argue that, from the stakeholders' perspective, corporate governance is one of the determinants of corporate voluntary disclosure. They posit some variations in the voluntary disclosure practice between the US and Italy. An assessment was made of the Management Discussion and Analysis (MD&A) section of annual reports of 72 companies in the USA and Italy. Boesso and Kumar (2007) developed their own index to measure volume and quality of voluntary disclosure. They measured corporate governance based on the ratio of independent board members and total number of directors on a company's board. Regression results showed no sign of the influence of corporate governance on voluntary disclosure. It is argued that a single measure of the corporate governance variable, in addition to separate regression analyses, contributed to the weak findings.

As discussed elsewhere in this paper, Haniffa and Cooke (2002) argue that national culture and corporate governance are possible determinants of the voluntary disclosure practices of Malaysian corporations. Their study examines the extent to which corporate

governance and culture, in addition to firm-specific factors, contribute to voluntary disclosures practices in Malaysia. In terms of corporate governance, they assess whether board composition, cross-directorship, role duality, the presence of family members and/or a financial director on the board and the presence of a chairperson with cross-directorships, influences voluntary disclosure. An analysis of the annual reports of 167 companies for the year 1995 revealed that the existence of non-executive directors negatively influences voluntary disclosure. That is, companies produce less voluntary information when the number of non-executive directors on the board is high.

This finding is opposite to the literature on agency theory. The presence of a high number of outside directors supposedly represents efficient monitoring of activities by the board and limits managerial opportunism (Fama and Jensen 1983). Therefore, board composition (measured by the proportion of outside directors) should be positively associated with voluntary disclosure.

Eng and Mak (2003) also reported findings similar to those of Haniffa and Cooke (2002). Using an argument that board composition and voluntary disclosure are positively associated, the study of 158 companies in Singapore reported a negative association. They found that voluntary disclosure decreased with the increase in the number of outside directors. They argue that the findings are the result of the differing roles played by outside directors in different countries. For example, disclosure increases when a company has a high number of outside directors if those directors play a complementary role in disclosure (e.g. in Hong Kong). However, it decreases if the outside directors play a substitute-monitoring role (e.g. in Singapore) (Chen and Jaggi, 2000).

In relation to CSR literature, De Villiers et al. (2011) demonstrate that board characteristics and environmental performance are positively associated. Based on 2,151 firm-year observations from 1,216 firms and environmental performance data obtained from

KLD, they concluded that environmental performance is higher in firms that have larger boards, larger representation of active CEOs on the board, and more legal experts on the board. Their findings are consistent with the explanation in agency theory and resource-dependency theory. Interestingly, in testing the nonlinear effects of board characteristics on environmental performance, De Villiers et al. (2011) found that as board independence increases, environmental performance appears to get stronger and then weaker (p. 19). Their results suggest that there is a saturation point where the number of independent directors gets too high, and it weakens the environmental performance. However, the analysis in De Villiers et al. (2011) is limited to the US companies; in addition, data on environmental performance is rarely found in emerging markets. Accordingly, as at an initial stage, this thesis analyses the reporting aspects before moving on the CSR performance in the future research.

Issues pertaining to the effects of corporate governance on environmental reporting have been explored by Halme and Huse (1997). In the study, they examined why companies in Finland, Norway, Spain and Sweden disclosed environmental information in their corporate annual reports. The logistic regression results did not support the contention that board size and ownership concentration influence environmental disclosures. They reported that companies operating in environmentally sensitive industries disclosed significantly high environmental information in their corporate reports. However, the theoretical foundation of their research was not thoroughly discussed. [22] In addition, there was no indication of whether voluntary or mandatory environmental disclosures were analysed. Moreover, their analyses were limited to annual reports and dichotomous scores of '0' and '1'. These factors are identified as research gaps in this thesis.

The existence of CSR committees on the board can also be regarded as a form of governance structure from the perspective of the CSR literature. The presence of a committee

[22] Nonetheless, Halme and Huse (1997) did mention several sentences about institutional theory when concluding the paper.

shows a company's concern to legitimize its environmental reputation (Neu et al., 1998). Specifically, it can be argued that the existence of CSR committees on the board indicate companies' willingness to disclose CSR information voluntarily in their corporate reports. For example, Al-Tuwaijri et al. (2004) examine the relations among environmental disclosure, environmental performance and economic performance. They incorporated an environmental committee as one of the control variables in a simultaneous equation model because engaging the directors as members of an environmental committee demonstrates a company's endeavours to improve its environmental performance.[23] However, they did not find any significant support for this variable.

The preceding discussion shows inconsistent findings on the influence of corporate governance on disclosure practices. Accordingly, this research argues that national culture plays a role in explaining the association between corporate governance and CSR reporting. For example, Li and Harrison (2007) found that national culture influences the governance structure of a particular country. The study examines how national culture influences the size and leadership structure of the corporate boards of 399 multinational manufacturing firms across Japan, Western Europe and North America.

Specifically, they found that high power distance and individualism are both related to smaller boards and consolidated (as opposed to separated) leadership positions. They explain that in societies with high power distance and individualism, governance structure demonstrates a significant powerful authority figure, thus eliminating the necessity to share power with another top executive. As such, boards tend to be smaller in these types of societies. Additionally, masculinity is associated with larger boards and consolidated leadership for the preferred values of aggressiveness and dominance. Finally, larger boards and a consolidated leadership structure are also found in societies exhibiting high uncertainty

[23] The existence of environmental committees was treated as one of the attributes of firms' environmental concern.

avoidance. Such companies perceive the larger risk and thus the need for more diverse expertise and access to varied sources of information to help them in decision making.

In a similar vein, Doidge et al. (2007) explain that the corporate governance imposed on a company is significantly influenced by the country's economic development. For example, 'firms in countries with low financial and economic development will find it optimal to invest less in governance and the rights of minority shareholders will be mostly determined at the country level rather than the firm level' (p. 3). This eventually affects the accounting practice and disclosure level of a firm. However, financial globalization, through access to foreign capital markets, should reduce the importance of the country determinants of governance and increase company-level incentives for good governance (Doidge et al., 2007). Accordingly, Doidge et al. (2007) portray the simultaneous effects of country variables and corporate governance on accounting.

Van Der Laan Smith et al. (2005) provide an interesting discussion about the association of corporate governance, culture and CSR reporting. Based on Hofstede's masculine-feminine concepts, they view corporate governance structures from two perspectives: contractarianism and communitarianism (see also Bradley et al., 1999). Governance structures in US companies are contractarian (shareholder) oriented, whereas Norwegian/Danish companies are communitarian (stakeholder) oriented (see Simnett et al., 2009). Corporate governance structures in contractarian countries (i.e. the USA) revolve around shareholder relationships and promoting shareholder value whereas the structures in communitarian countries (i.e. Norway and Denmark) deal with social responsibilities, which go beyond achieving economic efficiency. Thus, it is anticipated that the level of CSR reporting in Norwegian/Danish companies will be higher than that in US companies. However, as mentioned elsewhere in this thesis, although the findings provide significant support for the variations in quality and extent of CSR reporting in Norway/Denmark and the

USA, neither corporate governance nor cultural variables were tested empirically in Van Der Laan Smith et al.'s CSR disclosure model.

The above findings indicate that governance structure and culture are associated. Thus, if culture and corporate governance are associated, and if the latter influences CSR reporting, there is a possibility that culture interacts with corporate governance in influencing disclosure.

2.5.4 Empirical Research: CSR and Ownership Structure

Eng and Mak (2003) examined the impact of ownership structure on voluntary disclosure. Their study examines three ownership variables: managerial ownership, blockholder ownership, and government ownership. When managerial ownership is low, the need for monitoring increases. As a result, the amount of voluntary disclosure is high in order to counter this monitoring need. Thus, Eng and Mak (2003) argue that managerial ownership and voluntary disclosure are inversely related. Similarly, when blockholder ownership is low, more monitoring is needed (blockholder ownership is the proportion of ordinary shares held by substantial shareholders; i.e. shareholdings of 5% or more). Therefore, blockholder ownership is expected to negatively influence disclosure. An analysis carried out on 158 firms in Singapore showed that managerial ownership and voluntary disclosure are negatively associated.

More importantly, Eng and Mak (2003) reported a positive association between disclosure and a government-linked company. The result denotes moral hazards and agency problems, in which disclosure is a means of mitigating those problems. They argue that the presence of government links leads to greater disclosure to mitigate the higher agency cost and weaker governance of these firms. Wang et al. (2008a) also reported a positive association between the proportion of state ownership and corporate voluntary disclosure.

They examined annual reports of 110 Chinese corporations which issued both A-and B-shares. Based on a 79-item disclosure index, they tested the consequences and determinants of voluntary disclosures. They contended that voluntary disclosure of Chinese corporations increase with state ownership, foreign ownership, return on equity and type of auditor. The regression results support the contention, indicating that 'information in the annual reports is responsive to certain systematic influences' (p. 26).

Yet other researchers reported a result which is slightly opposite to the above findings. For example, Elsayed and Hoque (2010) reported that in Egypt government-owned companies disclosed less voluntary information in their corporate annual reports. They argue that disclosure levels of a particular country are a response to perceived international environmental factors. Therefore, disclosure practices of companies operating in a country should be different from one to another. Interestingly, this argument is similar to Wang et al. (2008a), but their findings differ. Thus, it can be deduced here that research findings on the association between government affiliation and voluntary disclosure reported contradicted results although the argument was drawn from a similar paradigm. This point shows that a thorough investigation should be made on the way government affiliation influences corporate disclosures.

In regard to CSR disclosure, Mohd Ghazali (2007) provides specific evidence on how the ownership structures of Malaysian firms influence CSR disclosure. She examines whether ownership concentration, director ownership or government ownership, in addition to corporate characteristics, of 87 non-financial companies, bear any relationship to a company's CSR disclosure. Annual reports dated 31 December 2001 were extracted from the Bursa Malaysia Composite Index. A checklist containing 22 items was constructed to measure CSR disclosures. A dichotomous procedure of '0' (for non-disclosure) and '1' (for a disclosure) were included in the checklist as the scoring method. The regression results show

that two ownership variables: director ownership and governmental ownership, have significant influence on the CSR disclosure of Malaysian firms. It is reported that the companies in which the directors hold a higher proportion of equity shares disclosed significantly less CSR information, while companies in which the government was a substantial shareholder disclosed significantly more CSR information in their annual reports.

Amran and Devi (2008) investigated the extent to which companies' associations with government in Malaysia influence their social and environmental reporting. Specifically, they suggest that factors such as government shareholding, dependence on foreign shareholders and dependence on a foreign partner influence CSR disclosure. CSR was measured based on content analysis using sentence coding. Coding and measurement methods were adapted from Hackston and Milne (1996). The regression analysis for the year 2002/2003 annual reports of 201 companies in Bursa Malaysia revealed that the government plays an important role in the CSR disclosure in Malaysia. The analysis shows that the higher the government shares and the company's dependence on government in terms of project, tender and concession, the greater the CSR disclosure. Amran and Devi (2008) explain that the institutionalization of the government aspirations and commitment to CSR influences CSR practice in Malaysia. Instances can be seen in Vision 2020, the commitment to adopt Agenda 21, which emphasizes sustainable development, the introduction of the Prime Minister's Hibiscus Awards, the launching of ethical funds, to name but a few. Furthermore, the government seriously cultivates the CSR culture in companies with whom it co-operates closely, resulting in a greater amount of CSR disclosure in these organisations.

Similarly, Liu and Anbumozhi (2009) also reported a strong, positive correlation between government affiliation and environmental disclosure in China. Specifically, they analysed 175 Chinese listed companies operating in eleven industries. Environmental disclosures were identified based on 30 indicators adapted from GRI indicators. Regression

results show that Chinese corporations owned by the government disclosed high levels of environmental information in their corporate annual reports. Their findings show that governmental ownership is an important indicator of CSR disclosures.

Perhaps, one could argue that in a culture where power and political parties play important roles in the business setting, the government's influence on CSR is pertinent (Smith et al., 2007). However, the same situation may not apply to other countries which have cultural values that are different from those of Malaysia or China. This point attests to the importance of cultural factors (and perhaps, the institutional environment) in the CSR reporting model.

2.6 Other Factors Influencing CSR Disclosure

2.6.1 CSR Assurance Statement

Literature shows that CSR assurance is an important element in the CSR reporting model. For example, Simnett et al. (2009) argue that a CSR assurance statement is capable of improving the credibility of CSR reports (referred to as sustainability reports). Furthermore, they also contend that companies with a greater need to increase user confidence will be more likely to have their CSR reports assured. With respect to cultural factors, they hypothesize that companies domiciled in stakeholder-oriented countries are more likely to demand assurance of CSR reports than companies located in shareholder-oriented countries (see Van Der Laan Smith et al., 2005). They analysed 2,113 companies from 31 countries that produced CSR reports between years 2002 to 2004. Their findings support the premise that companies enhance the credibility of their reports by having their CSR reports assured. In

addition, they also reported that companies operating in stakeholder-oriented countries are more likely to choose the auditing profession to be their assurers.[24]

However, a critical evaluation by O'Dwyer and Owen (2005) questioned the extent to which current assurance practices enhances transparency and accountability to stakeholders. They raised issues about the independence of assurance exercise, engagement scope, standards and criteria employed, materiality completeness and responsiveness of assurance statements. An analysis of 48 assurance reports from the UK and Europe revealed that a general absence of stakeholder participation in assurance processes and a reluctance to address statements to specific stakeholder constituencies indicate a lack of independence and limited transparency. They also reported distinctive approaches for accountant and consultant assurance providers in the assurance processes. Accountant assurance providers adopt a cautious approach; they focus on the issue of consistency of information in the assurance reports. On the other hand, consultant assurance providers adopt the 'holistic' strategic approach; i.e. focus was given to issues of completeness, fairness and overall balance of the information. O'Dwyer and Owen (2005) claim that although the approach undertaken by the consultant assurance providers pose some risk to the accounting profession, that is exactly the approach one might expect from the Big-4 providers.

2.6.2 Big-4 Audit Firms

The preceding discussion on CSR assurance related to auditing issues, and therefore the reputation of Big-4 firms. Literature shows that the reputation of Big-4 audit firms influences disclosure quantity. For example, Wang et al. (2008a) reported that the level of voluntary disclosure increased with the engagement of a Big-4 auditor; in addition to the increase in proportion of state ownership, foreign ownership, and return on equity. They

[24] As mentioned elsewhere in this research, stakeholder-oriented country is associated with the feminist attributes (Van Der Laan Smith et al., 2005).

sampled 110 Chinese listed companies that issued both domestic and foreign shares as of 31 December 2005. Voluntary disclosure information was collected from annual reports from 16 industries, the majority of which were from industrial and commercial machinery. Voluntary disclosure was measured based on the dichotomous score of 79 items, which were adapted from Gray et al. (1995b). The findings showed a positive relationship between Big-4 auditor and voluntary disclosure, indicating that disclosure in Chinese listed corporations are significantly influenced by the auditor's reputation. Such a finding is unique in the context of an emerging market (Wang et al., 2008a).

More importantly, the literature shows that the choice of Big-4 firms is influenced by cultural variables. For example Hope et al. (2008) reported that companies operating in countries in which the societies are regarded as secretive are reluctant to adopt Big-4 firms as their auditors. Specifically, they tested if auditor choice is influenced by Gray's secrecy hypotheses. They argue that the negative association between secrecy and the choice of a Big 4 audit firm is mitigated by the firm's degree of internationalization, measured by the proportion of foreign income taxes.[25] An analysis of 16,334 firms from 37 countries shows that the higher the firm's involvement in foreign operations, the lesser the negative effect of home country secrecy on the likelihood of hiring a high-quality auditor. This point shows the reputation of auditors, as well as the degree of internalization or globalization should be treated as control variables in the CSR reporting model.

2.6.3 Globalization

The literature pertaining to voluntary disclosure demonstrates that factors such as globalization, listing status and foreign business affiliation could enhance voluntary disclosure practice (see Chapple and Moon, 2005; Webb et al., 2008; Cheung et al., 2010).

[25] Hope et al. (2008) acknowledged that the proportion of foreign income tax is not the best proxy for internationalization. Alternatively, variables such as the per cent of foreign sales or the number of geographic segments are (possibly) better proxies for internationalization (p. 363).

For example, in the context of CSR reporting, Amran and Devi (2008) argue that companies, in an attempt to ensure their long term survival prospects, tend to meet institutional expectations. As such, the more complex the business structure, the higher the involvement in CSR reporting. However, Amran and Devi (2008) could not find support for their argument, possibly because the sample in their study was limited to only one country. This is contrary to the findings in the voluntary disclosure literature; for example Cheung et al. (2010) reported that Chinese companies that are dually listed overseas tend to be more transparent on a voluntary basis than those listed solely in China.

Accordingly, this thesis argues that an examination of the motivations behind CSR reporting should be conducted in a large research setting. For example, in a cross-country study, Webb et al. (2008) examined the voluntary disclosure practice of 643 firms from 30 countries across the world. Specifically, they hypothesized that globalization interacts with the legal environment in influencing voluntary disclosure, and that companies from weak legal environments experience the benefit of globalization to a greater extent than those in a strong legal environment. Their findings confirm the hypotheses, indicating that for the same levels of globalization, firms operating in a weak legal environment provide more voluntary information than firms operating in a strong legal environment. This result shows the influence of globalization on corporate disclosure practice.

A study related to CSR issues and globalization was conducted by Newson and Deegan (2002). They examined global expectations and their association with CSR disclosures in Australia, Singapore and South Korea. Specifically, they surveyed 133 groups in the year 1998 and approximately 1000 citizens from 23 countries to determine the expectations of these groups towards the operations of multinational firms operating in their home country. CSR disclosures were measured based on a content analyses of annual reports

of 149 multinational corporations ranked based on their market capitalizations.[26] Their results show that the disclosure levels do not reflect the global expectations of the stakeholders.

2.6.4 Industry Affiliation

As discussed in Chapter 1, industry affiliation influences the amount of CSR information in a company's annual report (Halme and Huse, 1997; Milne and Patten, 2002; Yongvanich and Guthrie, 2005; Deegan and Blomquist, 2006; Guthrie et al., 2008; Belal, 2008). For example, Milne and Patten (2002) argue that environmentally sensitive companies disclose more environmental information than those operating in non-environmentally-sensitive industries. This argument is based on legitimacy theory, which describes the way in which companies who perceive their legitimation as being threatened, will secure legitimacy through the disclosure process. Within that context, environmentally sensitive firms are expected to be CSR reporters (Deegan, 2002; Milne and Patten, 2002; Lorraine et al., 2004; De Villiers and Van Staden, 2006). Literature drawn from institutional theory also supports the influence of industry affiliation on CSR reporting (e.g. Rahaman et al., 2004; Amran and Devi, 2008). Specifically, coercive and normative isomorphism motivate corporations to imitate the disclosure practices of superior firms, which are operating in a similar industry. In fact, the relationship between industry affiliation and disclosure practices is well researched in various accounting streams (e.g. Watt and Zimmerman, 1986).[27]

[26] The content analysis procedures were adopted from Gray et al. (1995b). CSR disclosures were identified by 51 themes and were counted based on proportion of pages. Disclosures were categorised as news (good, bad, neutral), evidence (monetary versus non-monetary; qualitative versus quantitative; and declarative and photographic). Discussion on content analysis issues is in Chapter 5.

[27] Since this issue is well researched in accounting literature, this thesis focuses on a specific group of industries in the sample selection.

2.6.5 Company-specific Characteristics

In particular, there is consensus that corporate size is an important variable that influences CSR reporting (Patten, 1992; Hackston and Milne, 1996; Kolk 2003; KPMG 2005; Owen, 2007). Theories explain that since large firms are better equipped than smaller ones in terms of resources, they have sophisticated systems and equipment for handling issues pertaining to the environmental and social consequences of company activities. In addition, large firms are subject to government and public scrutiny because of the profits they generate. As a result, large companies are prone to providing comprehensive reports which give additional information which is voluntary in nature; such a level of disclosure is difficult for small firms to imitate. Accordingly, issues of company size, in relation to CSR reporting, are well researched, and researchers have documented significant support that company size and CSR reporting are correlated (Patten, 1992; Hackston and Milne, 1996; Kolk 2003; KPMG 2005; Owen, 2007).

However, whether or not CSR reporting of large firms contain high quality information is obviously a different issue. For example, researchers provide inconclusive support on the direction of the relationship between environmental disclosure and environmental performance. Al-Tuwaijri et al. (2004) argue that researchers should examine the relationship between environmental disclosure, environmental performance and economic performance simultaneously. A similar approach has been adopted by Clarkson et al. (2008). In this regard, firm-specific characteristics such as economic performance, profitability, share price, corporate age, leverage and systematic risk are taken into account as control variables (see Al-Tuwaijri et al., 2004; Kuasirikun and Sherer, 2004; Murray et al., 2006; Clarkson et al., 2008; Amran and Devi, 2008; Simnett et al., 2009).

2.6.6 Institutional Characteristics: Legal System, Level of Development, Size of Equity Market

Xiao et al. (2005) argue that a country's stage of social and economic development influences the extent of CSR disclosure. Accordingly, they predict that UK companies disclose more CSR information than Hong Kong companies, due to the influence of economic development. Xiao et al. (2005) conducted content analyses on annual reports of 69 companies over a period of five years in Hong Kong and the UK. The findings show an upward trend of CSR disclosure in both countries. However, the positive trend is more prominent in the UK. Thus, Xiao et al. (2005) infer that economic development influences their research findings. However, the inference they make is unconvincing because the economic development variable is not tested empirically in their study.

With regard to the scenario in developing countries, previous literature has reported that the CSR information was scant when compared to other countries in the world. For example, Belal and Cooper (2011) reported that disclosure was almost absent in Bangladesh. Their interviews with several senior corporate managers suggested several reasons for this phenomenon. Amongst the reasons are 'lack of resources, the profit imperative, lack of legal requirements, lack of knowledge/awareness, poor performance and the fear of bad publicity' (p. 14). Again, this is a factor which should not be neglected in the development of a CSR reporting model, particularly in an emerging market.

Chapple and Moon (2005) examined the website reporting of 50 companies in seven Asian countries: India, Indonesia, Malaysia, the Phillipines, South Korea, Singapore, and Thailand. They argue that CSR in Asia is not homogeneous because of factors such as the country's level of development, globalization, and national business system. The findings show CSR website reporting varies between countries in Asia. Nonetheless, the variations are not explained by the country's development but by factors in respect of national business

systems. Chapple and Moon (2005) also find that multinational companies are more likely to adopt CSR than those companies operating solely in their home country.

However, measures for CSR reporting in Chapple and Moon's (2005) study are not consistent with previous literature, making replication difficult. The extent of corporate disclosure was measured based on the number of pages, and this is considered arbitrary (see Unerman, 2000). Furthermore, the CSR themes, namely; 'community involvement, socially responsible production processes and socially responsible employee relations', analysed in their study (arguably) do not capture the conceptual definition of CSR reporting.

Given the above, and because this study is cross-national, the findings of this thesis give rise to concern over certain issues surrounding the institutional environment. Previous studies have used several measures for institutional environment (see La Porta et al., 2000); this thesis has discussed measures such as legal environment (Webb et al., 2008) and levels of country development (Chapple and Moon, 2005; Xiao et al., 2005). However, this thesis did not test the variables used in those studies. Instead, the thesis discusses the development of social and environmental reporting in each country and its relation to economic history and CSR issues. Appendix A presents information pertaining to economics, society, history and legal systems, and the current environmental issues arising in China, India, Malaysia and the United Kingdom. Details on these issues are presented in the next chapter.

2.7 Conclusion

In summary, CSR reporting could be understood from multiple paradigms. In formulating the research question, it is important to determine the perspective a researcher undertakes as it influences the research approach. In addition, within the scope of CSR reporting and culture, two pertinent gaps have been identified. First, the measurement of CSR reporting in the previous literature has not been comprehensive; focus has been only on

annual reports or sections of annual reports. Furthermore, measurement for CSR reporting has been largely undertaken using dichotomous scores of '0' and '1'. Accordingly, research examining cultural issues should have been extended to include corporate websites and stand-alone CSR reports. Secondly, the literature highlights the fact that cultural influence on CSR reporting is not straightforward. A researcher should not neglect the discussion of context within which the accounting is established. More importantly, there are firm-specific factors that may have interacted with cultural variables in influencing CSR reporting, and this chapter discusses two variables: corporate governance structure and government ownership. Finally, other factors such as the presence of CSR statements of assurance and globalization should not be omitted from a CSR reporting model.

Taken together, this thesis contributes to the literature in several ways. Firstly, it analyses CSR disclosures using comprehensive methods, taking into accounts both the extent and the quality of the disclosures. The quality of CSR disclosures are measured using multiple scores of quality (as opposed to the dichotomous scores of quality). Moreover, the analysis has been extended to include all the reporting means such as corporate websites, CSR stand-alone reports and annual reports. Therefore, this thesis provides substantial contributions in terms of the content analysis. Secondly, this thesis incorporates factors such as governance structures and government ownership that moderates (or intervenes) the relationship between culture and CSR reporting. In so doing, the regression model has variables including the proportion of subsidiaries overseas, listing status, assurance statement, and audit reputation as the control variables. Finally, this thesis contributes to the literature by discussing the cultural influence on CSR reporting based on data from three emerging markets and the UK. At the same time, the country backgrounds, historical context and CSR issues of these countries are brought into the discussion. The next chapter discusses the background of the countries under study.

"A society is defined not only by what it creates, but by what it refuses to destroy."
-John Sawhill, former president, CEO of The Nature Conservancy (1936-2000)-

3 Background of the Countries under Study

3.1 Introduction

The purpose of this chapter is to discuss the general context of the countries in the study.[28] In particular, the chapter relates the development of social and environmental reporting in each country to its economic history and its CSR issues. Amongst others, the factors of concern are privatization, globalization, reforms in corporate governance, and the development of standards relating to CSR and how they affect CSR (and the reporting of it) in China, India, Malaysia and the UK. A discussion of these aspects in each country follows.

3.2 China

Prior to the 1970s, a closed policy operated in China, where most enterprises were collectively controlled by the state. The state, who owned enterprises, was also responsible for the welfare of the employees including their housing, health care, and children's education (Yan, 2002). In 1979, the Chinese government started to diminish the control of the state over corporations. This event, referred to as economic privatization, boosted China's economic growth; the country's economy prospered, with China being considered to be one of the fastest growing economies in the world (see Cheung et al., 2010).

China's main economic strengths are competitive labour costs and abundance of natural resources. With a population of 1.328 billion, China's major industries involve mining, manufacturing and utilities. These industries accounted for 58.5% of the country's market

[28] Statistics in this Chapter were obtained from the Mergent Online Database, unless otherwise stated. Appendix A presents information pertaining to economics, society, history and legal systems, and current environment issues of China, India, Malaysia and United Kingdom.

capitalization. However, China's economic growth was too rapid and was at the expense of the social and environmental development of the country (see Tang and Li, 2009; Lin and Ho, 2010). The operation of both local and large multinational companies contributed to the environmental degradation in China. For example, corporations such as Nike, Reebok, Mattel and Gap, and KFC had lowered their environmental, labour and ethical standards when operating in China (Tang and Li, 2009). It was also reported that in 2006, all ten of the ten most polluted cities in the world were in China; and the country was considered one of the world's ten most polluted countries (see Zhou, 2011). Accordingly, China faces problems of air quality, land use, water and ecological conservation, which indirectly affect the neighbouring countries as well as the world (see Zhang and Wen, 2008; Wang et al., 2008b; Liu et al., 2010). In addition to issues relating to the environment, there were breaches of the code of business ethics; these became widespread in China. For example, there was a breach in food safety regulations (see Tang and Li, 2009; Zhou 2010)[29]; excessive usage of chemical fertilizers (Wu, 2011)[30]; an excessive promotion and use of cigarette and tobacco (see Cai and Wang, 2010)[31]; and violation of the World copyright and trademark laws (see Tian and Chao, 2011)[32]. These are some of the examples which have caused international concern.

Therefore, China faces criticism at the national and global levels because of its attitude towards these problems. Amongst other accusations China has been blamed for inadequate environmental, social and ethical standards. Academics, members of the accounting

[29] Zhou (2010) reported that problems such as huge populations, high levels of poverty rate in rural areas and huge income disparity cause problems in food safety and quality, environmental sustainability and social stability.

[30] Wu (2011) reported that on average about two-thirds of chemical fertilizers usage in China are excessive. Chemicals such as nitrogen and phosphate remain in the soil or flow into water systems or evaporate into the atmosphere. This has serious implications on the CSR issues.

[31] Yang (2004) disclosed that approximately 350 million people in China are smokers. This figure comprises of teenagers aged 15 and above. Mackay and Eriksen (2002) documented that China produced 2.24 million tons of tobacco, or about one-third of world production (see Cai and Wang, 2010)

[32] Tian and Chao (2011) conducted a series of interviews with 45 participants who were either copyright holders or ordinary consumers in China. Among others, Tian and Chao (2011) reported that the respondents claimed that 'it is really hard not to consume pirated copyright products in China' (p. 229); and China insists on having its own way in handling copyright issues, despite the forces from US pressure.

profession, business leaders and members of the public have been involved in the debates. For example, there was one debate on whether the Chinese government should adopt SA8000, a global accountability standard. The proponents of this proposal argued that all corporations operating in China should adopt the SA8000 standards (see Tang and Li, 2009). The opponents, on the other hand, argued that China should have its own environmental and social standard that would fit better with the cultural and societal needs of the country. Throughout the debate, the Chinese government intervened and backed the opponents' idea that regulations pertaining to social and environmental issues in China should remain unique to the country.[33]

Arguably, the way in which the Chinese Government tackled this issue was influenced by notions of culture (see Burton et al., 2000; Phoon-Lee, 2006). Two factors support this argument. Firstly, the teachings of Confucius, to a certain extent, cultivate values and norms of Chinese behaviour, and this includes those of accounting practice. For example, the principle of *wulun* emphasizes the respect for authority and the unequal relationship in Chinese culture, in which superiors are expected to exercise their autocratic power and their followers to submit to every decision made by the superiors (Tsui, 2001). Thus, government interference in CSR issues is effective in China because it suits the Chinese local culture. Secondly, from a historical perspective, China has never been colonized by countries outside its main culture (see Appendix A). As such, when faced with a choice, Chinese would prefer a standard which is unique to its own culture.

Recently, China demonstrated a degree of endeavour to cope with the social and environmental issues in the country. For instance, since 2006, several environmental standards have been drafted and enforced. In addition, the corporate governance reforms in China are an example of this endeavour, showing that China is coping with the international

[33] China takes a similar approach in relation to the World copy-right law (see Tian and Chao, 2011)

institutional arrangements. To illustrate, due to globalization, multinational corporations operating in the country are subjected to conformation with international, environmental, social and ethical standards (see Fang 2010; Hongwei and Ping, 2011; Zhou, 2011).[34] These corporations are faced with public scrutiny should they fail to oblige. Thus, companies operating in China are 'forced' to legitimize their actions to the world. Secondly, the accounting professions, which are institutionally globalized, are the normative attributes that bring the isomorphism in CSR reporting practices in China.

These two factors influence the reporting behaviour of Chinese corporations. For example, it has been found that voluntary corporate disclosure for Chinese corporations has increased over the years (Qu and Leung, 2006). Amongst others, factors such as listing status, ownership structure, and improvements in corporate governance legislation have contributed to these findings (see Huafang and Jianguo 2007; Wang et al., 2008a; Cheung et al., 2010). In conclusion, pressures from the global markets and accounting professions are examples of coercive and normative isomorphism, which should bring homogeneity in CSR reporting. In contrast, cultural and social norms in China are factors that bring heterogeneity in CSR practices in China. This means CSR reporting practices in China should remain unique and different from other countries in the world.

3.3 India

India has a long history of colonization and this factor is important when describing the context in which CSR is developed in the country. After gaining its independence from the British government in 1947, India took control of its own legal, political and economic systems. In many instances, British-origin laws were adapted as sources of legislation in India. Hence, there was an indirect influence of the British legacy and imperialism in the

[34] For example, in response to the global requirements (and concerns), China reformed its governance and business structures (see Hongwei and Ping, 2011). In addition, China took several significant steps to improve its ecological efficiency recently (see Zhou, 2011).

manners, which politics, economic and social structures had become institutionalized. For example, Verma and Gray (2009) describe that the British Companies Act was used as a source of legislation in the promulgations of the (Indian) Companies Act 1956.

Some clauses in the Companies Act 1956 are relevant in the context of CSR reporting. For example, the Companies Act 1956 requires corporations to disclose information pertaining to environmental activities in their Director's Report. In addition, sections 217 and 217(2A) also require disclosure on the conservation of energy and details of employees. The latter are read along with the Companies Rules 1975 (Particulars of Employees). Interestingly, similar requirements exist in the British Companies Act 2006 (ICAEW, 2009). Hence, it could be argued that the extent to which CSR is practiced in India is very much being influenced by the UK through the adaptation of law. An argument by Verma and Gray (2009) testifies to this:

"…although the formal empire had ended and Britain no longer had direct influence over policies of India, the long period of colonization and imperialism had instilled the appropriateness of British regulatory mechanisms such that legal regulation was seen to be the best means of regulation…" (p. 119)

From the perspective of culture, the existence of these laws should contribute to the CSR reporting practices in India. To illustrate, key aspects of the Indian social life are influenced by the caste system and hierarchy. There is 'respect for elders and authority, with key decisions made by, usually, the elder males in the family' (Verma and Gray, 2009). Therefore, due to the importance of hierarchy or the caste system in India, legal regulation of accounting is apparent in India. For example, when faced with accounting choice, India prefers legal means to do so. As such, there is a likelihood that the existence of these laws influences the extent to which CSR reporting is practiced in India.

The economic growth and corporate governance reforms are also important when discussing the general context of India. With a population of more than 1 billion in 2009, India's main economy lies in textiles, chemicals, food processing, transportation, cement, mining, petroleum, machinery and software. India experienced economic reforms in 1991 (Pedersen, 2000); after the economic reforms, India came to be viewed as the world's most significant business processor and IT services provider (Rajagopalan and Zhang, 2008).

However, the dramatic growth, coupled with an unregulated market structure in India caused several significant stock market scandals in the early 90s. Since then, the country has aggressively developed jurisdictions over matters related to corporate governance. For example, the Securities and Exchange Board of India (EBI) was developed in 1992. The Companies Act (Clause 49) also requires corporations to disclose information on corporate governance (Balasubramanian et al., 2010).

These factors significantly influence the accounting practiced in India (see Perumpral et al., 2009); hence, arguably, this includes CSR reporting practices. Although empirical research on CSR reporting has received comparatively scant research attention, the literature shows that the level of CSR disclosure has been increasing over the years (see Singh and Ahuja, 1983; Hegde et al., 1997; KPMG 2005; Raman, 2006).

3.4 Malaysia

Malaysia gained its independence from the Britain in 1957. British colonization has shaped the political, economic and social settings in Malaysia (Amran and Devi, 2008). For example, the pre-independence segregation policy caused economic disparity between the Malays and the Chinese, which then triggered racial riots in 1969. As a result, the New Economic policy (NEP) was introduced to reduce economic disparities between Bumiputras and non-Bumiputras (i.e. Malays and Chinese). In the business context, the Bumiputras were

granted privileges in matters including government contracts, licenses and import permits. This policy serves as a framework within which the Malaysian economy developed.

Later in 1983, in the era of privatization, many government departments were transformed into private companies. These companies became known as government-linked companies (GLCs) and listed on the Malaysian stock exchange (Bursa Malaysia). As these companies operate with the use of government resources and capital, they became relatively large corporations in terms of market capitalization (Amran and Devi, 2008). These settings, however, have implications for the way in which they operate. For example, the GLCs in Malaysia are facing social legitimacy issues to a greater extent than their non-government counterparts because their operations reflect the commitment of the ruling party. Accordingly, these companies are expected to respond to government calls on CSR issues.

In the early 80s, there had been little motivation for the corporations in Malaysia to disclose CSR information in their annual reports. Thus, the level of disclosure was relatively low, mostly declarative, narrative in nature and having only references to general commitment (Nik Ahmad and Sulaiman, 2004). However, factors such as globalization and privatization now force Malaysia to work in tandem with global requirements, particularly on CSR issues. The first serious government endeavour was demonstrated in the year 2006 budget announcement. Starting from the financial year ending 31 December 2007, all publicly listed companies were encouraged to disclose their CSR activities in their annual reports. In conjunction with this call, Bursa Malaysia has emphasized the four-pillars of CSR disclosures, which encompasses disclosure on communities, environment, workplace and marketplace. Although disclosure is voluntary, the GLCs are expected to participate in this project for the reasons that have been pointed out earlier (Amran and Devi, 2008; Othman et al., 2011).

This became obvious when the government launched the 'Silver Book' in September 2006. The Silver Book expects the GLCs to be the pioneers of CSR activities in order to exemplify such practices to all corporations in Malaysia. In addition, political leaders, including the Prime Minister, also encouraged companies to participate in CSR activities; these ideas are promoted through their political speeches. In the cultural context, the CSR reporting scenario in Malaysia portrays the extent to which society accepts the distance between themselves and those in power and authority. That is, due to the power distance, which is strong in Malaysian society, the GLCs are expected to practice CSR reporting to a greater extent than their non-GLCs counterparts.

3.5 The United Kingdom

Unlike China, India and Malaysia, CSR practices in the UK are at quite an advanced stage. Previous research relates the development of CSR reporting in the UK to the development of 'Value-Added Statement' (VAS) (see Burchell et al., 1985). In August 1975, the Accounting Standards Steering Committee (now the Accounting Standards Committee) published a discussion paper on the need for the VAS. Later, debates amongst policy makers, the accounting professions and academics emerged (Burchell et al., 1985). Since then, companies in the UK have published the VAS in their annual reports; company participation increased every year from 1975 to 1980s. Meanwhile, CSR reporting evolved as an issue in the accounting professions. Gray (2002) stated:

"The brave new world that the 1960s promised also laid the foundations that, as the decade led into the 1970s, produced an explosion of explorations into managerial and corporate social responsibility" (p. 690)

Accordingly, CSR reporting in the UK is at quite a mature stage, and this is demonstrated in the amount of research in the area. In addition, the development of standards

pertaining to CSR issues is more in evidence than in other countries. For example, the Companies Act 2006 requires disclosure of the impact of a company's operations on the community and the environment. Some disclosures with regard to employees and corporate risk (including environmental risk) have also been made mandatory (ICAEW, 2009). The existence of these laws influences the CSR reporting practice in the UK.

Table 3.1 presents relevant standards on CSR issues in the UK, India, Malaysia and China. Although the table is not comprehensive, the numbers of relevant regulations in each country should provide some background to CSR reporting in these countries. The table indicates that companies in the UK can refer to several standards including The Companies Act 2006, The Environment Act 1995, Waste and Emissions Trading Act 2003, Pollution Prevention and Control Act 1999 (see KPMG 2005). In India, legal requirements pertaining to corporate responsibility are in several provisions of The Companies Act 1956, and the Environmental Protection Act (EPA, 1986) and Companies Rules 1975 (see for example Hegde et al., 1997). In Malaysia, the Securities Commission (Bursa Malaysia) has underlined Four-Pillars of CSR Disclosures in 2007. Finally in China, the government has taken several steps to address environmental issues. For example, China Law Environmental Initiative 2007 has been drafted and takes effect in 2011 (see Zhou, 2011).

Table 3.1: Regulations and Standards Relevant to CSR Disclosures[35]

Country	Standards, codes and guidelines
Global	AA1000 guidelines from Accountability Guidelines
	The Association of Chartered Certified Accountants (ACCA)
	The European Chemical Industry Council (CEFIC)
	Global Reporting Initiatives (GRI)
	International Standards Organization (ISO)
	SA8000-auditable standard for social accountability
	United Nation Global Compact- 10 principles in the areas of human rights, labour, environment, and anti-corruption
	Organization for Economic Co-operation and Development (OECD)
	Global Sullivan Principles of Social Responsibility
	CERES social responsibility
United	The Department for Environmental, Food and Rural Affairs (DEFRA)
	The Public Environmental Reporting Initiative (PERI)
	Climate Change Act 2008
	The Companies Act 2006
	The Environment Act 1995
	Pollution Prevention and Control Act 1999
	Waste and Emissions Trading Act 2003
India	The Companies Act 1956 (Conservation of Energy, technology absorption)
	Right to Information Act, 2005
	Companies Rules 1975 (Particulars of Employees)
Malaysia	Four-Pillars of CSR Disclosure (Bursa Malaysia)
China	China Environmental Law Initiative 2007 (take effect in 2011)[36]

[35] Sources: KPMG 2005, ICAEW 2009, Bursa Malaysia 2011

[36] Sources: U.S. Environmental Protection Agency, 2011, http://www.epa.gov/ogc/china/legal_resources.htm

3.6 Conclusion

In conclusion, factors such as economic growth, globalization, and reforms in corporate governance motivate discussion on CSR (and CSR reporting) in China and India. China has been criticized for providing insufficient standards on environmental, labour and ethical matters. In contrast, India is more advanced than China with regard to laws relating to CSR issues. Malaysia does not have any mandatory requirements on CSR reporting. However, the country is coping with the international standards by providing some guidelines on CSR reporting. Although the guidelines are voluntary, government-linked companies in Malaysia are expected to submit to these requirements. Finally, the development of CSR practices is prominent in the UK both in the promulgations of relevant standards and practices.

"Our choices at all levels—individual, community, corporate and government—affect nature. And they affect us."

-David Suzuki, environmental activist, broadcaster, founder of Suzuki Foundation -

4 Theoretical Framework and Hypotheses Development

4.1 Introduction

This chapter presents the theoretical framework and hypotheses development. Specifically, this thesis adopts institutional theory to facilitate the discussion about culture and CSR reporting. While the applicability of theories such as legitimacy and stakeholder are not totally neglected, it is argued that institutional theory best describes the issues examined in this study. Specifically, four main hypotheses are developed: firstly, it is hypothesized that the quality and quantity of CSR information are different across China, India, Malaysia and the UK; secondly, it is expected that there exists an association between national culture and the quality and quantity of CSR information across these countries; thirdly, corporate governance (measured by board composition and the existence of CSR board committees) influences CSR reporting; finally, it is hypothesized that government ownership influence the quality and quantity of CSR reporting. In relation to the third and fourth hypotheses, it has been argued that culture interacts with corporate governance and government affiliation in the CSR reporting model.

4.2 Theoretical Framework

As discussed in Chapter 2, researchers in the area of 'Corporate Social Responsibility' (CSR) adopt several theoretical paradigms to explain the motivation behind CSR reporting. For instance, legitimacy theory demonstrates the effects of variables such as size and industry (e.g. Patten, 1992; Hackston and Milne, 1996; Owen, 2007); the existence of regulations and standards (Freedman and Jaggi, 2005); economic development (Belal, 2008) and

environmental (or social) performance, on environmental and social disclosures (e.g. Al-Tuwaijri et al., 2004; Clarkson et al., 2008). On the other hand, stakeholder theory discusses factors such as country of origin (Van Der Laan Smith et al., 2005) and the impact of a particular group of stakeholders on CSR reporting decisions, which includes NGOs, shareholder associations, and professional groups (e.g. Christmann, 2004; Deegan and Blomquist, 2006). The theories of decision usefulness and economics seek an explanation from an economic perspective (e.g. Dhaliwal et al., 2011), whereas, institutional theory explains CSR reporting from a political economy viewpoint, in which CSR reporting is examined based on the institutional arrangements of organizations (e.g. Rahaman et al., 2004).

Despite all these theories, CSR reporting remains an issue because there is no single theory yet able to explain why empirical findings are inconsistent in explaining the motivation for CSR reporting, particularly across countries. This thesis puts forward an argument that the inconclusive findings regarding factors influencing CSR reporting across countries are caused by institutional factors and cultural variables. In this thesis it is suggested that cultural factors interact with the determinants of CSR reporting.

Given this argument, legitimacy, stakeholder and institutional theories can be used in assessing the cultural influence on CSR reporting. For example, from a legitimacy perspective, a company which is facing legitimacy threats would provide either good (or poor) quality CSR reporting in a way which is consistent with its *perceived* aggregate levels of the importance of the cultural values in a particular country. Likewise, based on the stakeholder theory, users of corporate reports could determine the nature, extent and quality of CSR reporting through their expectations. Such expectation varies between countries, and this variation is influenced by cultural variables (e.g. Williams, 1999; Van Der Laan Smith et al., 2005). Institutional theory also fits a discussion on CSR reporting in a complex research

setting. To illustrate, the institutionalization of internal and external mechanisms within a group of organizations causes homogeneity in accounting practices. Accordingly, the influence of national culture on CSR reporting quality is possibly explained by institutional theory, legitimacy theory and stakeholder theory.

However, this research does not use stakeholder and legitimacy theories for four reasons. First, stakeholder theory is closely linked with legitimacy and the two are often used to complement each other (De Villiers and Van Staden, 2006). Secondly, it is not possible to use stakeholder theory because this thesis did not directly assess user perspectives on CSR information. Thirdly, legitimacy theory suffers from several weaknesses, which have been identified in Chapter 2. Finally, there is an apparent conceptual overlap of legitimacy theory and institutional theory. [37]

Therefore, this thesis investigates the cultural influence on CSR reporting using institutional theory. Specifically, institutional theory argues that there are three attributes, which bring homogeneity within an organization. However, empirical research adopting institutional theory was implicit on how each of these attributes interacts with each other. This research examines culture as a variable that links all these three levels of isomorphism. Arguably, assessing institutional theory from a cultural perspective demonstrates that institutional theory is also capable of explaining the heterogeneity of accounting practices in addition to the homogeneity.

This argument is in accordance with Ball and Craig (2010) who assessed the capacity of institutional theory in providing an understanding of organizational change in response to social and environmental issues. Specifically, they questioned two aspects: firstly, whether sufficient attention has been paid to discuss CSR reporting in a broader institutional environment, and secondly, if 'proponents of normative models of social and environmental

[37] For example, Rahaman et al. (2004) point out in their case study that legitimacy processes are institutionalized. A multinational firm, which is funded by World Bank, faces constant pressure to comply with the requirement of funding agencies. As a result, the disclosures are used as part of the legitimation strategy.

accounting have paid sufficient attention to the choices about accounting which are embedded in cultural and historical frameworks.' (p. 284). They commented that institutional theory has not been regarded 'as a theory or organisational change, but usually as an explanation of the similarity (isomorphism) and stability of organizational arrangements in a given population or field of organizations' (p. 284). Thus, they proposed an extension of institutional theory by incorporating Lounsbury (1997)'s framework into the model. They argue that '(the) variation in political outlook can help us to understand how the timing, organisation, and acceptance of environment accounting initiatives are likely to differ according to national context (Lounsbury, 1997)' (p. 284). For example, 'the kind of interventionism in the UK at national (and sometimes local) level (e.g. legally binding targets on national greenhouse gas emission reductions, and the London congestion charge) would seem unthinkable in North America' (Lounsbury, 1997, p. 474).

Using Lounsbury's framework, CSR is assessed based on a two dimensional matrix. The first level is called theories of action, where organizational structures or procedures are regarded as a set of habits or action. The legitimation strategy in CSR reporting falls under this heading. The extent to which legitimation is used as a strategy in CSR reporting is also being influenced by values and interests, which are located at the opposite end of the spectrum. Within this spectrum, 'concern is still with the institutional lens as a shaper of actions by institutions' (Ball and Craig, 2010, p. 285). The second dimension is called levels of explanation, which consist of micro and macro levels. Interactionism, work and organisation fall under micro level spectrums; whereas cultural systems and social organisation are regarded as macro level spectrums.

Ball and Craig (2010)'s model is consistent with a model developed by Harrison and McKinnon (1986). However, Harrison and McKinnon provided a framework specifically for the way culture contributes to the accounting change in relation to new accounting legislation

in Japan. They argue that accounting changes are driven by three main factors: responsive events, intrusive events and the cultural environment. Responsive events refer to the initiatives of a corporation to adopt a new policy and thus bring about a change. It means such a change occurs within the system. Intrusive events are forces beyond the corporation's control such as the economic situation, globalization and war. When these events are in place, the company is obliged to respond and thus, to adopt a new policy and bring about the change. This means, it is the forces which are external to the systems. These internal and external systems are interrelated or interdependent with each other. Finally, culture influences the norms and values within and between the systems. These are the main forces that bring about the accounting change in an organization. This point shows that culture is an important aspect that should not be omitted when CSR reporting is being described.

Accordingly, this thesis argues that cultural aspects and institutional factors should simultaneously influence CSR reporting practice across countries. For example, globalization and the development of voluntary standards in relation to CSR reporting such as the GRI are considered as external events that shape the strategy of CSR reporting in an organization. However, choices on accounting policy still exist at the organizational level. For example, the options to disclose CSR information in a corporate annual report, or to have CSR board committees in place, or to seek professional assurance for CSR information are all instances of managerial choice. In other words, it is an institutional lens that shapes these choices. Nonetheless, cultural attributes, including norms and values, also determine the option that an organization takes. A model that attempts to explain this scenario is presented in Figure 4.1. The model describes that the institutional environment exists in two layers: institutional and organizational. At each level, isomorphism (i.e. coercive, normative and mimetic isomorphism) drives the CSR reporting practice. However, cultural attributes tie the knot within and between isomorphism.

The operation of this model is described in the hypotheses development section (see Figure 4.2). In general, Figure 4.2 shows that institutional factors and corporate characteristics influence the quantity and quality of CSR reporting. The two-way arrow between institutional factors and company-specific characteristics represents the interaction variables explored in this thesis. Specifically, country differences and cultural factors describe CSR reporting practices. Thus, if we accept that Hofstede's cultural attributes describe accounting practices, there is a possibility that individualism, power distance, masculinity and uncertainty avoidance may influence CSR reporting. The direction of the relationship between cultural attributes and CSR reporting can either be positive or negative. In the second box (company-specific characteristics), the model shows that corporate characteristics, including corporate governance and board ownership influence CSR reporting. However, the two-way arrow shows that cultural variable (and institutional factors) can also describe corporate characteristics, and vice versa. Thus, the association between cultural variables and corporate characteristics simultaneously explains CSR reporting practices. The next section describes hypotheses of this thesis

Figure 4.1: Theoretical Framework

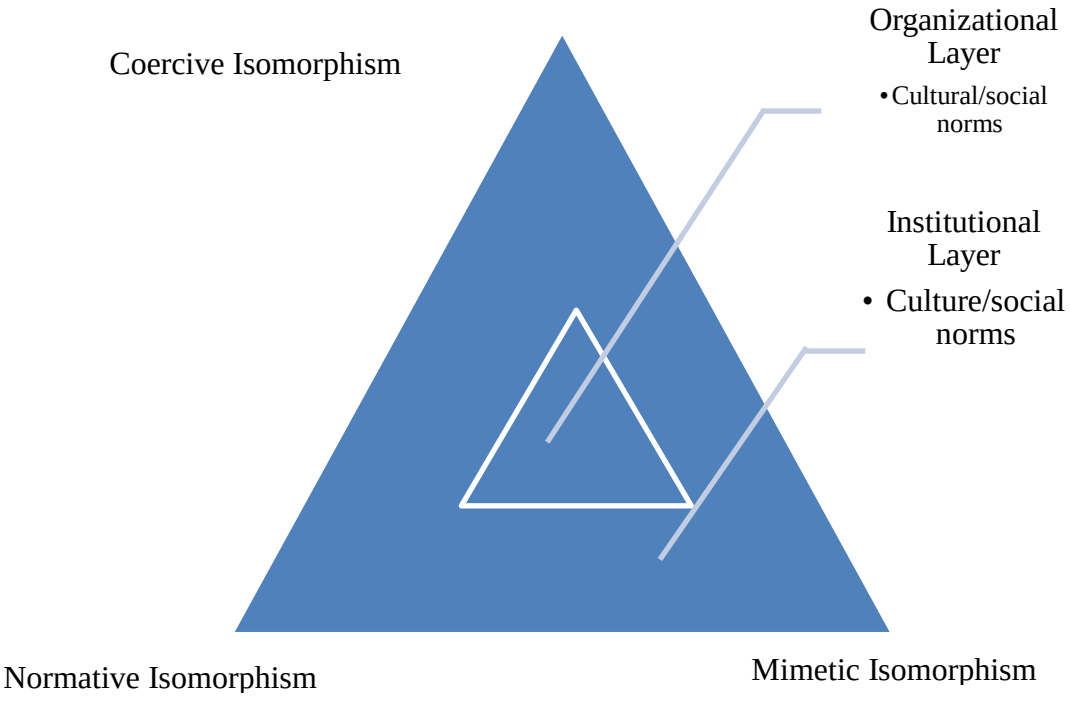
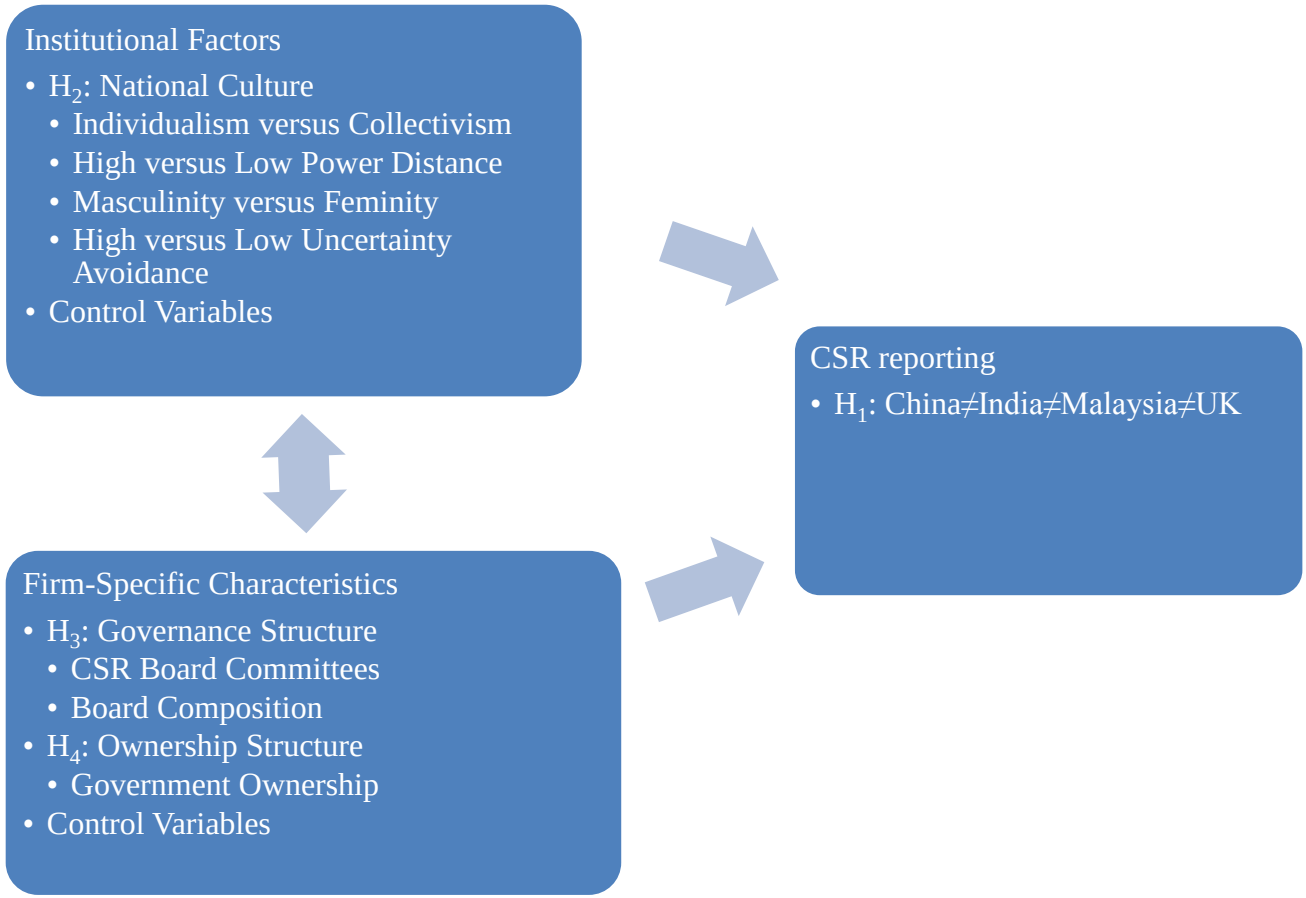


Figure 4.2: Hypotheses



4.3 Hypotheses Development

Based on institutional theory, this study predicts that both organizational and institutional factors influence CSR reporting practices across countries. Specifically, it argues that national culture, board composition, the existence of CSR board committees and governmental ownership, respectively, influence CSR reporting. Furthermore, it also predicts a simultaneous relationship between CSR reporting, culture, corporate governance and governmental ownership.

In relation to the above prediction, this thesis examines issues including; location of company disclosure of CSR information (i.e. whether it be on corporate websites, in annual reports or in both the annual report and on the corporate website); the extent of the information (i.e. CSR reporting quantity) and the comprehensiveness of the report (i.e. CSR reporting quality) and the disclosure items. These issues are examined in each hypothesis; their details are provided in Chapter 5 (section 5.3). The next section presents the hypotheses.

4.3.1 The Cultural Influences on CSR Reporting

As discussed in Chapter 2, Hofstede (1980) developed four cultural attributes: uncertainty avoidance, masculinity versus femininity, individualism versus collectivism and power distance; these attributes have been extensively utilised in the accounting literature[38].

4.3.1.1 Uncertainty Avoidance

Gray (1988) suggested that a social environment with high uncertainty avoidance is more secretive than one with low uncertainty avoidance. As a result, corporations based in a country with high uncertainty avoidance are less likely to disclose voluntary information.

[38] This thesis incorporated only two cultural attributes (i.e. individualism and masculinity) in the CSR reporting model because the initial regression model showed a multicollinearity problem amongst the national culture variables (see section 5.5.5). This problem occurred in many studies (e.g. Williams, 1999; Haniffa and Cooke, 2002; Williams, 2004). In light of this issue, each of the four cultural variables was separately regressed against measures for CSR reporting quality and quantity (see tests for robustness in section 6.7.2).

With respect to CSR reporting, Williams (1999) argued that management might be inclined to limit the disclosure when there is a high level of uncertainty as to whether, or not, the benefit of the disclosure outweighs its cost. In addition, it is argued that uncertainty-avoiding societies generally have difficulty in adapting to novel social and environmental demands and practices because they are more rule and routine oriented. Accordingly, the relationship between uncertainty avoidance and CSR disclosure is likely to be negative.

However, as indicated elsewhere in this paper, it is hard to establish a direct relationship between culture and CSR reporting because cultural attributes may have interacted with factors that motivate (or hinder) disclosure decision. For example, in an environmentally sensitive industry, public scrutiny is high. Therefore, disclosure decisions taken by a firm would have been imitated by its competitors. In this situation, firms operating in an environment with a high level of uncertainty avoidance may not opt to limit the CSR disclosure and the relationship could be different from the above prediction.

4.3.1.2 Masculinity versus Femininity

A society with high masculinity traits demonstrates less concern for co-operation and solidarity as it places a high emphasis on material achievement and heroism (e.g. Steensma et al., 2000; Van Der Laan Smith et al., 2005). In contrast, a feminine society that has low masculine traits caters for the welfare of society (Williams, 1999). Hence, companies operating in a feminine society are more likely to engage in CSR activities. Thus, it can be hypothesized that firms operating in a social environment characterised by masculine attributes provide less CSR disclosure than those operating in a society characterised by feminine characteristics. This argument is consistent with the view expressed in Burgeois political economy that ‘organizations are responding to social expectations where the impacts of a firm’s activities on society are of central importance’ (Williams, 1999; p. 223). Likewise,

Van der Laan Smith et al. (2005) argued that a masculine society is a shareholder-oriented society, as opposed to the stakeholder-oriented society. Accordingly, given CSR disclosure is institutionalized based on the needs of the society, a negative relationship between the masculinity level and CSR disclosure is expected.

On the other hand, Gray (1988) argued that a relationship between masculinity and accounting disclosure should be positive. Similarly, Williams (2004) argued that high levels of disclosure could be perceived as promotion of success, achievement and ability. Thus, in respect to information on Y2K, corporations operating in a masculine society would provide a greater amount of disclosure as the disclosure demonstrates a corporation's ability and aptitude for dealing effectively with information technology problems. In the context of CSR reporting, especially when CSR information is used as a managerial legitimization strategy, it could also be hypothesized that companies operating in a masculine society exhibit a greater level of CSR disclosure.

4.3.1.3 Power Distance

A society that accepts some distance in power and social status is likely to accept the restriction of information to the respected authority or those in power. With respect to accounting disclosure, individuals in a society with high power distance would accept a firm's decision to restrict disclosures; and they rely on the expertise of management in dealing with such matters (Williams, 2004). Moreover, in countries where levels of power distance are high, employees participate less in decision-making, resulting in a less conducive environment for a stakeholder-oriented approach to management. Accordingly, CSR disclosure by firms operating in a high power distance environment may be limited.

However, a relationship between power distance and CSR reporting in a complex business environment may not necessarily be negative. For example, in a country

characterised as having a high power distance, enterprises are controlled by political leaders or government agencies. Accordingly, the CSR agenda may be used as a political strategy in demonstrating the discharge of stewardship duty and reporting is used as means of communication between the company and society. Thus, a positive association between power distance and CSR reporting is also possible.

4.3.1.4 Individualism

According to Gray (1988), it is suggested that firms operating in an individualistic society have a tendency to provide accounting disclosures because disclosure is seen as a weapon which shows their superiority. Williams (2004) argued that lack of disclosure of ICT problems in an individualistic society may raise concern about the corporation's future viability. In addition, additional disclosure may help preserve a relationship with and confidence in a firm (Williams, 2004). Accordingly, a positive relationship between individualism and CSR disclosure is expected.

In contrast, it could also be argued that a highly individualistic society is concerned less with social welfare and the broader impact of business on society; in contrast, material achievements are treated as a priority. Therefore, in the situation where the benefits of CSR reporting cannot be foreseen, firms operating in an individualistic society may not voluntarily provide CSR information. Accordingly, a negative relationship between individualism and CSR reporting is also likely.

Taken together, it is argued that the relationship between Hofstede's cultural attributes and CSR reporting could be either positive or negative. The literature also reported inconsistent results concerning the way in which each cultural attribute influences CSR reporting. For example, Archambault and Archambault (2003) reported that all the attributes (i.e. masculinity, uncertainty avoidance, individualism, and power distance) are significant in

explaining the corporate disclosure practice of 761 companies across the world, but the directions of the relationships are consistent with Gray (1988)'s argument, that masculinity and individualism are positively correlated with disclosure, whereas power distance and uncertainty avoidance respectively influence disclosure in a negative direction. Williams (2004) documented a finding which is slightly opposite to that predicted, that is that masculinity and voluntary disclosure are negatively correlated.

Another issue relating to Hofstede's cultural dimension is whether each cultural attribute contains a similar degree of importance in describing accounting disclosure. Gray (1988) argued that 'the most important societal values at the level of the accounting subculture would seem to be uncertainty avoidance and individualism' and that masculinity appears to be somewhat less important in the system of accounting values (p. 11). Accordingly, Gray (1988) developed several cultural dimensions by grouping Hofstede's cultural attributes. He relates accounting disclosure and culture by suggesting that a country that ranks high in uncertainty avoidance and power distance but low in individualism and masculinity is likely to be secretive.

However, Gray's arguments might not be completely applicable to the CSR reporting concept. For instance, in Chapter 2, it has been discussed that comparative studies have not been able to provide a consensus on the way in which secrecy describes accounting disclosure. Furthermore, both Van der Laan Smith et al. (2005) and Simnett et al. (2009) utilized masculine-feminine concepts to determine the extent to which CSR information is needed in a society.

Accordingly, this research argues that the relationship between culture and CSR reporting is not straightforward. Factors such as the institutional environment, corporate characteristics and, perhaps, managerial ethical norms and values, could moderate or intervene with the relationship between culture and CSR reporting. Thus, this thesis puts

forward an argument that governance structure and government affiliation interact with cultural variables in CSR reporting model. However, in an attempt to hypothesize the correlation effects of culture with other variables in CSR reporting model, a relationship between culture and CSR reporting has to be established. Nonetheless, a relationship between culture and CSR could not be developed before acknowledging the differences of CSR reporting across countries. [39] The first hypothesis is stated as follows:

H_1: The quality and quantity of CSR information are different across China, India, Malaysia and the UK

Secondly, I argue that cultural attributes are associated with the differences in CSR reporting across countries.

H_2: There is an association between national culture and the quantity and quality of CSR information across China, India, Malaysia and the UK

4.3.2 The Influence of Corporate Governance on CSR Reporting

It has been advocated by agency theory that there should be a positive relationship between corporate governance and voluntary disclosure (see Haniffa and Cooke, 2005; Cheng and Courtenay, 2006; Boesso and Kumar, 2007; Wan-Hussin 2009). The theory suggests that a strong and sound corporate governance structure should adopt policies that ensure high financial transparency, which will eventually reduce the information asymmetry between the management and shareholders. Furthermore, a company with an effective corporate governance system is expected to provide greater disclosure in its financial reports (Haniffa and Cooke, 2005; Boesso and Kumar, 2007; see also De Villiers and Van Staden, 2011).

[39] This hypothesis is needed because this thesis acknowledges that country differences exist, and the differences result from variations in the institutional environment.

Board composition is one of the indicators of corporate governance other than CEO power, role duality and board independence, to name but a few.[40] For board composition, it is predicted that a high number of outside directors represents good monitoring of activities by the board and limits managerial opportunism (Fama and Jensen, 1983). Thus, as the board composition (i.e. the proportion of outside directors) increases, the disclosure should also increase (see Chen and Jaggi, 2000).

However, the literature shows inconsistent findings on the association between board composition and corporate disclosure. For instance, Boesso and Kumar (2007) did not find that board composition influences the voluntary information disclosed in the Management, Discussion and Analysis (MD&A) sections of annual reports for companies in Italy and the UK. On the other hand, Haniffa and Cooke (2002) reported that companies produce less voluntary information when the number of non-executive directors and family members on the board are respectively high.

Chau and Gray (2010) argue that the positive relationship between board independence and voluntary disclosures are mitigated by the role of chairman. In cases where role duality exists (i.e. the chairman of the board assumes the role of Chief Executive Director), a high number of non-executive directors reduce the voluntary disclosures in annual report. Thus, role duality explains the negative relationship exists between board composition and voluntary disclosures.

In a cross country research, Eng and Mak (2003) show that that the relationship between the number of outside directors and voluntary disclosure is moderated by the country difference. They find that in Hong Kong, disclosure increases when a company has a high number of outside directors. In contrast, in Singapore, it decreases with the increase in the

[40] John and Senbet (1998) argued that the effectiveness of a board in monitoring management is determined by its composition, independence and size. 'Composition and independence are closely related, since board independence increases as the proportion of independent, outside directors increases' (Cheng and Courtenay, 2006, p. 264).

outside directors. Accordingly, Eng and Mak (2003) argued that the inconsistency in the findings is caused by the independent directors' roles, which are dependent on the size of the board. They have argued that when the number of independent directors is relatively high, the external directors play a substitute-monitoring role; however, they play a complementary role when they are relatively small in number. As a result, voluntary disclosures could either decrease or increase, depending on the role the directors are taking.[41]

Governance roles, either complementary or substitutive, are beneficial to organizations (e.g. Ho and Wong, 2001). It is argued that governance is complementary when it causes managers to refrain from withholding information for their own benefit. In this situation, good governance strengthens the quality and comprehensiveness of corporate reporting. On the other hand, the governance mechanism is substitutive when it reduces information asymmetry and opportunistic behaviour in the firm, regardless of the amount of disclosure. Thus, in a substitutive-governance environment, it is expected that corporate governance and voluntary disclosure are negatively or not at all associated (see Kelton and Yang, 2008). In this thesis, it is argued that the choice of governance depends on factors such as culture and institutional arrangements (see Haniffa and Cooke, 2002; Li and Harrison, 2007; Uddin and Choudhury, 2008). Hence, culture can interact with corporate governance in the CSR reporting model.

Arguably, governance structure as contended by agency theory or economic paradigm is slightly different from that of the CSR context. CSR reporting aims to communicate the operational impact of corporations on society and the environment, in addition to informing its economic achievements. On the other hand, the agency theory emphasizes the

[41] In regard to environmental performance, De Villiers et al. (2011) reported that the positive association between board independence and environmental performance reaches its peak at a certain point, and then the relationship becomes negative. Accordingly, De Villiers et al. (2011) argue that an effective governance mechanism enhances the environmental performance of a corporation.

maximization of shareholders' wealth as its primary objective. Therefore, a governance measure that suits the CSR reporting objectives is needed.

The literature suggests that the existence of a CSR board committee describes CSR reporting and performance. For example, Wahyuni et al. (2009) argues that companies with an environment committee are more likely to voluntarily disclose information relating to greenhouse gas emissions than companies without such a committee.[42] The presence of a committee shows a company's concern for legitimizing their environmental reputation (Neu et al., 1998). Wahyuni et al. (2009) also contend that companies who engage their Chief Executive Director (CEO) as a member of the environment committee are more committed to providing information relating to greenhouse gas emission. Engaging the CEO as a member of an environmental committee demonstrates the company's endeavours to improve its environmental performance. Therefore, the hypotheses are stated as follows:

H_{3a} Corporate governance influences the quantity and quality of CSR reporting.

H_{3b} Culture interacts with corporate governance to influence the quantity and quality of CSR reporting.

4.3.3 CSR and Ownership Structure

Researchers discuss several instances in which corporate ownership structure influences the amount and extent of voluntary disclosure in annual reports (see Huafang and Jianguo, 2007; Mohd Ghazali, 2007; Wan Hussin, 2009; Chau and Gray, 2010). In the context of CSR information, Mohd Ghazali (2007) reported that owner-managed companies (i.e. companies in which the directors hold a higher proportion of equity shares) disclosed significantly less CSR information, while companies in which the government is a substantial shareholder disclosed significantly more CSR information in their annual reports. A similar

[42] Wahyuni et al. (2009) measured only environment committee because their study is about carbon emission. In this thesis, board committees with heading such as Environment, Society and Health; Sustainability; Social Responsibility were all treated as CSR board committees.

finding was reported by Amran and Devi (2008), demonstrating that the government plays an important role in increasing the quantity of CSR information disclosed in the annual reports.

The argument for a positive association between government ownership and CSR reporting is drawn from many theories. From the perspective of agency theory, it is argued that companies having a link with government disclosed voluntary information in order to mitigate the higher agency cost and weaker governance of these firms (see Amran and Devi, 2008). From a legitimacy point of view, it is argued that government-owned companies face more pressure from society than the non-government-owned companies. Thus, government-owned companies may use the disclosure as part of their legitimization strategy. In addition, resource-dependency theory shows that CSR disclosure by government-owned companies should be high because the appointed directors of these companies need to align their decisions with the aspirations of the government and society (e.g. Naser et al., 2006; Amran and Devi, 2008; Donnelly and Mulcahy, 2008).

In relation to CSR issues, it is too simplistic to assume that disclosure is used as a legitimization strategy in government institutions because the accounting system in itself is influenced by institutional factors. For instance, research evidence from China demonstrates that government or state-owned organizations face less pressure than privately-owned organizations, to voluntarily provide information in their annual reports, since the information should be able to be easily obtained and accessed from other reporting means. This viewpoint expects the relationship between government ownership and corporate social reporting to be negative (Xiao et al., 2004; Huafang and Jianguo, 2007).

Thus, this thesis argues that there is a simultaneous relationship between culture and ownership structure in the CSR reporting model. For example, in a culture where power and political parties play important roles in business settings, the government influence on CSR is pertinent (Smith et al., 2007). However, the same situation may not apply to other countries

in which business settings are isolated from the political institutions. This point attests to the importance of the cultural and institutional context in the CSR reporting practice. Given the above, the relationship between government ownership and CSR reporting is investigated in this study. The following states the hypotheses:

H_{4a}: Government ownership influences the quantity and quality of CSR reporting.

H_{4b}: Culture interacts with government ownership to influence the quantity and quality of CSR reporting.

4.4 Conclusion

To summarize, this thesis employs institutional theory to describe CSR reporting practices across countries. It is argued that institutional factors and corporate characteristics describe the differences (and similarities) between CSR reporting practices across China, Malaysia, India and the United Kingdom. Institutional factors relate to economic growth, globalization, and reforms in both corporate governance and national culture. These attributes have been discussed in Chapter 3. This thesis did not specifically test issues relating to economic growth, globalization and governance structure at a national level because these issues are not specific to the research objectives.[43] This thesis examines national culture as one of the institutional factors that influence CSR reporting. Corporate governance and government affiliation are instances of corporate characteristics. This thesis puts forward an argument that national culture is institutionalized within corporate characteristics. This implies that there is a cultural influence present in the way in which governance is practised within an organization. As a result, governance and ownership structures differ across countries. Accordingly, the relationship between culture, governance, and ownership structure explain the differences (and similarities) between CSR reporting across countries.

[43]However, in Chapter 6 (see section 6.6.3), this thesis controlled for the existence of these variables in several tests of robustness.

"The main purpose of a significance test is to inhibit the natural enthusiasm of the investigator"
-Frederick Mosteller, Selected Quantitative Techniques (1954), p. 331-2.
[Co-author with American statistician, Robert R. Bush (1920-71)]

5 Research Methodology

5.1 Introduction

This chapter discusses the methodology that is applied in this research. The second section describes the sample selection and justifies the procedures. Section Three discusses the conceptual and technical issues underlying content analysis. Section Four elaborates on the measurement of the CSR disclosures in this study. Section Five discusses the independent variables, the models and the sensitivity tests. The final section serves as the Conclusion.

5.2 Sample

The sample was obtained from the Compustat Global and Mergent Online databases. A total of 203 large corporations operating in socially and environmentally sensitive industries were selected from the Compustat Global and Mergent Online databases. The sample selection has several steps; the first step was selecting the countries. Country selection was limited to four countries (China, India, Malaysia and the UK) to minimize the complexities involved in the institutional environments of many countries. In particular, the four countries were chosen for four reasons. Firstly, China and India are among the largest emerging economies. In China, drastic economic growth has caused problems relating to air quality, land use, water, and ecological conservation. This in turn, affects the neighbouring countries as well as the rest of the world (see Zhang and Wen, 2008; Wang et al., 2008b; Liu et al., 2010). In addition, CSR issues seem pertinent in emerging countries because regulations

pertaining to CSR standards are not well established. Thus, environmental and social standards are likely to be compromised in order to achieve economic goals. The UK provides a comparison with a developed country. Secondly, China, India and Malaysia have experienced significant reforms in corporate governance standards; this phenomenon suits the objectives of this research. Thirdly, the UK is at a relatively advanced stage in the promulgation for relevant CSR standards and practices; India has some CSR standards which are almost similar to those in the UK; Malaysia has had guidelines for CSR reporting since 2007; whereas, China, until the year 2010, had no CSR standards or guidelines.[44] Accordingly, these countries are representative of the various stages of CSR development. Finally, according to Hofstede, these countries represent diverse cultural settings: Malaysia ranks high in terms of power distance; Chinese society is regarded as the most collectivist; Indian society is likely to avoid uncertainty, and British people have a moderately masculine attitude. [45] Appendix B presents Hofstede's national culture score for the four countries. Arguably, these traits influence the CSR reporting practices of companies operating in these cultural settings.

The second step of the sample selection was controlling for size and industry effects. This was undertaken because previous research supports the contention that the CSR issue is a prominent one in large companies which are operating in socially and environmentally sensitive industries. Firstly, with regard to size, previous literature provides the consensus that large companies are generally good reporters (see Patten, 1992; Hackston and Milne, 1996; Kolk 2003; KPMG 2005; Owen, 2007). Secondly, large companies face greater political and public pressure than do smaller companies due to the resources and profits they

[44] However, according to Zhou (2011), the Chinese government has taken several steps to address environmental issues. For example, China Law Environmental Initiative 2007 has been drafted and takes effect in 2011.

[45] According to Hofstede (1991), the society in the UK is considered as moderately masculine (p. 85).

generate (Watts and Zimmerman, 1986). Thirdly, as Gray et al. (1995b) indicate, a sample taken from the largest companies is more comparable with the majority of other studies which select samples from the largest companies (see, for example, Hackston and Milne, 1996; Newson and Deegan, 2002). Moreover, by referring to large, publicly listed, companies, the chance of obtaining annual reports in English is improved (see Newson and Deegan, 2002). With regards to industry, research provides empirical support to indicate that industry affiliation motivates social and environmental disclosure; companies operating in environmentally and socially sensitive industries tend to provide more CSR disclosure than do their counterparts in less sensitive industries (see Halme and Huse, 1997; Milne and Patten, 2002; Yongvanich and Guthrie, 2005; Deegan and Blomquist, 2006; Guthrie et al., 2008; Belal, 2008). In addition, the sampling of industry-specific corporations is consistent with prior studies (e.g. Hackston and Milne, 1996; Newson and Deegan, 2002; Freedman and Jaggi, 2005; Clarkson et al., 2008). Thus, the results of this research are comparable (at least with regard to industry).

Specifically, the sample was chosen from eight industries: energy, oil and gas; materials; manufacturing; transportation; automobiles and components; alcohol, tobacco, casino and gambling; pharmaceutical, biotechnology and drugs; and utilities. In many studies, industries such as those of energy, oil and gas; materials; manufacturing; transportation; automobiles and components; utilities and tobacco are considered as high profile industries (e.g. Hackston and Milne, 1996; Newson and Deegan, 2002; Freedman and Jaggi, 2005; Clarkson et al., 2008). In regard to the pharmaceutical, biotechnology and drugs industries, Adams and Kuasirikun (2000) documented that companies operating in the pharmaceutical, biotechnology and drugs industries disclosed a considerable amount of social and ethical information. Finally, companies operating in the areas of alcohol, tobacco, casino attendance

and gambling are considered as 'sinful' in studies examining social and ethical investments (e.g. Kim and Venkatachalam, 2011).

Table 5.1: Panel A: Sampling Frame

Panel A: Sampling Frame					
	China	**India**	**Malaysia**	**UK**	**TOTAL**
Companies obtained from the databases	100	100	100	100	400
Less: Industry Restriction	-15	-32	-36	-37	-120
Total Population	85	68	64	63	280
Less: Missing data	-7	-1	-4	-4	-16
Less: Latest reports not in English	-42	0	0	0	-42
Available data from the top 100 list	36	67	60	59	222
Add: companies from the top 200 list	14	0	0	0	14
Sample Companies	50	52	51	50	203

Table 5.1 (Panel A) presents the sampling frame. Using data from Compustat Global and Mergent Online, this thesis ranked all companies in each country based on their market capitalization. The use of market capitalization for size ranking is consistent with the practices described in the literature that provides data for international comparison (e.g. Guthrie and Parker, 1990; Hackston and Milne, 1996; Newson and Deegan, 2002). From 400 companies, there were 280 large corporations operating in the selected industries. The sample was selected based on number of companies available in each country, after omitting the missing data and data which was not presented in the English language. The table shows that 42 of the latest corporate reports (year 2008/2009) of Chinese corporations were not written in English and thus could not be used.[46] This procedure left China with the smallest number

[46] The difficulty in acquiring reports in English language could possibly be an issue in this thesis. However, the findings of this thesis have been compared with a pilot study that used only reports that had been written in English. The pilot study obtained a sample from the GLOBAL 2000 list. It examined CSR reporting of socially and environmentally sensitive companies in China, India, Malaysia and the UK. The results of the pilot study are similar to those of this thesis (see Adnan et al., 2010). For example, Adnan et al. (2010) reported that board

of companies (36). This is followed by the UK (59), Malaysia (60) and India (67). It was decided that the minimum number of samples per country would be fifty. Companies from the UK, India and Malaysia were selected from the top 100 lists.[47] Thirty six Chinese companies were chosen from the top 100 list, and the remaining sample was obtained from the top 200 list.[48] In total, two hundred and three corporations were selected.[49]

Table 5.1 (Panel B) presents the sample coverage by market capitalization. It shows the total market capitalization of the sample, the total market capitalizations of all listed companies, and their proportion of market share. This demonstrates that the sample represents 54.6% of total market capitalization for the four countries.[50] The highest coverage (76%) of the sample is for companies in China, and the lowest (38%) is for UK corporations.[51] This data indicates that most large corporations in China operate in environmentally sensitive industries; whereas, in the UK, some of the largest companies

composition, individualism and masculinity influence CSR reporting. This indicates that the omission of a group of samples with non-English reports is not a major issue for this thesis.

[47] The number of companies from India and Malaysia was slightly higher than the threshold to suit the number of companies available per country. The sample of 50 companies per country is comparatively larger than in previous studies that employed content analysis of the various means of reporting. Hooks and Van Staden (2011) examine the quantity and quality of CSR disclosure of 32 companies in New Zealand; Frost et al. (2005) analyzed both corporate websites and the annual reports of 25 companies in Australia.

[48] The market capitalization of the Chinese companies compare favourably with the market capitalization of the companies from other countries.

[49]The total of 203 companies in this sample is relatively comparable with the total sample in prior studies. Clarkson et al. (2008) examined 191 of the most polluting firms in the US; Beck et al. (2010) examined 28 companies from the UK and Germany respectively; Newson and Deegan (2002) analysed 148 companies from Australia, Singapore and South Korea; Van Der Laan Smith et al. (2005) assessed annual reports of 32 Norwegian/Danish and 26 US companies. Cross country research that had a high number of observations employed a dichotomous measure of CSR reporting, and the study was limited to annual reports (e.g. Williams (1999) obtained data from 356 companies).

[50] The sample was compared with data from the GLOBAL 2000 list (the list ranks the world's top 2000 companies based on market capitalization, assets, profit and sales value). All seventy companies listed in GLOBAL 2000 were in the sample. This procedure confirms that this research has captured large corporations operating in the selected industries.

[51] Since sample was industry-specific, the proportion of market capitalization (38% to 76%) in this thesis is slightly lower than that of previous studies. For example, Hackston and Milne (1996) obtained 92% of the total market capitalization data for the 50 largest companies in New Zealand. Chinese corporations represent 76% of total market capitalization. This data is unsurprisingly high for two reasons. Firstly, Chinese corporations are ranked highly in market capitalization across all companies. Moreover, 49.2% of the Growth Domestic Composition in China is from the Industry sector (the sector is based dominantly in environmentally sensitive companies) - see Appendix A. Secondly, the table only presents the total market capitalizations for companies listed on the Shanghai Stock Exchange. Other boards such as the Shenzen Stock Exchange are excluded from the study.

operating in financial sectors have been excluded during the sample selection process. Table 5.1 (Panel C) tabulates the sample companies by industry. Overall, the major part of the sample comes from two industries: materials and manufacturing (47%). Thirteen companies (6.4%) are operating in socially sensitive industries (alcohol, tobacco, casino and gambling); while the rest (93.6%) are in environmentally sensitive industries.

Table 5.1: Panel B: Sample Coverage

Panel B: Sample Coverage					
Country	**Stock Exchange***	**Market Capitalization for the Year 2009** (US$ billion)**	**Number of Companies in the Sample**	**Market Capitalization of Companies Financial Year Ended 2008/2009 (US$ billion)**	**Percentage of Total Market Capitalization (%)**
China	Shanghai Stock Exchange	1,820.22	50	1,385.26	76.10
India	Bombay Stock Exchange	716.51	52	485.40	67.75
Malaysia	Bursa Malaysia	246.04	51	100.96	41.03
United Kingdom	London Stock Exchange	2,714.34	50	1,031.43	38.00

* This table only lists the first board. Some companies in this sample are listed on several boards, both local and international

** Data was taken from the Mergent online database, which was initially in local currency. This table translated the data into USD based on the exchange rate for 31 December 2009

Table 5.1: Panel C: Sample by Industry and Country

Panel C: Sample by Industry and Country										
	China		India		Malaysia		UK		Total	
Industry	Number	Per cent	Number	Per cent	Number	Per cent	Number	Per cent	Number	Per cent
Energy Oil and Gas	7	14.00	8	15.38	5	9.80	6	12.00	26	12.81
Materials	12	24.00	20	38.46	8	15.69	9	18.00	49	24.14
Manufacturing	13	26.00	12	23.08	11	21.57	10	20.00	46	22.66
Transportation	9	18.00	1	1.92	9	17.65	4	8.00	23	11.33
Automobiles and Components	3	6.00	3	5.77	5	9.80	1	2.00	12	5.91
Alcohol, Tobacco, Casinos and Gambling	1	2.00	1	1.92	6	11.76	5	10.00	13	6.40
Pharmaceutical, Biotechnology and Drugs	0	0	4	7.69	1	1.96	6	12.00	11	5.42
Utilities	5	10.00	3	5.77	6	11.76	9	18.00	23	11.33
TOTAL	50	100	52	100	51	100	50	100	203	100

5.3 Content Analysis

CSR information was obtained through content analysis. The followings describe content analysis; the choice of procedures is discussed in a latter section of the thesis.

Content analysis is the process of codifying information into pre-determined categories in order to derive patterns in the presentation and reporting of information (Gray et al., 1995b; Deegan et al., 2002; Guthrie and Abeysekera, 2006). In accounting research, content analysis is used to quantify various aspects of information in corporate annual reports; this is common in research on CSR reporting, intellectual capital reporting, accountability and capital markets (see for example, Hooks and Van Staden, 2011). There are several issues underlying content analysis, I categorise them as conceptual and technical. Conceptual issue refers to an argument of whether content analysis captures the CSR activities of an organization. Technical issues relate to research methodology, which can influence the validity and comparability of research findings.

To what extent does content analysis capture the CSR activities of an organization? Simply stated in accounting concept, companies can only report the information that they manage. Thus, little commitment to CSR activities should result in no disclosure, brief, or policy-stated information. For example, a company can disclose its policy on carbon emissions, regardless of the amount of carbon it emits. However, the information might be brief. In contrast, if a company is serious in its endeavours, the information should be comprehensive, quantifiable (in monetary terms or other measurement units) and able to be compared with benchmarks and/or standards. Accordingly, Clarkson et al. (2008) argue that a rigorous content analysis should distinguish between a company making a sincere attempt to disclose details of its environmental performance from companies that are simply mimicking disclosure. Information related to mission and vision is termed as ‘soft disclosure’ because it

is easily mimicked. Information related to actual environmental (and social) performance is referred to as 'hard disclosure' because it is not possible for it to be provided in the corporate report unless a firm has proper CSR systems in place (see Clarkson et al., 2008; Aerts and Cormier, 2009). This information indicates that a content analysis can demonstrate company involvement in CSR practices. However, there is an underlying question as to whether or not reporting demonstrates evidence of the discharge of accountability to stakeholders; the answer to this is beyond the scope of this study (see Cooper and Owen, 2007).[52] This thesis assesses the quality (comprehensiveness) of CSR reporting; it argues that high quality CSR reporting reflects company involvement in CSR practices.[53] However, in order to draw a valid conclusion about the reality of CSR reporting in an organization, technical issues underlying content analysis should first be resolved. These include reports analysed, unit of analysis, coding systems and reliability of the analysis.

5.3.1 Reports to Analyse

Firstly, the reports analysed in the content analysis pose some threat to the research conclusion if they have not been carefully selected. Unerman (2000) argues that the materials used in CSR disclosure, in addition to its measurement, influence the validity of research findings. For example, companies might choose various mediums of reporting to disclose

[52]For example, in early studies, literature suggested that, as part of the legitimation strategy, companies with poor environmental performance provide extensive disclosure (e.g. Patten, 1992; Lindblom, 1994). However, findings in recent studies have indicated otherwise (e.g. Al-Tuwaijri et al., 2004). Support for these findings has been mixed (Lorraine et al., 2004; Al-Tuwaijri et al., 2004; Cho and Patten, 2007; Clarkson et al., 2008). An apparent issue facing researchers is the difficulty of obtaining the best available data to measure CSR performance of a company. Previous studies have used indices obtained from databases. Examples such studies are those of, Kinder, Lydenberg, and Domini (KLD) (see De Villiers et al., 2011); The Council on Economic Priorities' (CEP) company rating charts (see Al-Tuwaijri et al., 2004); or The Corporate Environmental Profiles Directory (see Al-Tuwaijri et al., 2004; Clarkson et al., 2008). Unfortunately, these databases only provide CSR performance of companies operating in the USA. Thus, the issue of CSR performance has been left for future research.

[53] The definition of quality is discussed in section 5.3.3.2 of this chapter.

their CSR activities. These may include annual reports, corporate websites and CSR stand-alone reports.

Prior studies employing content analysis have focussed largely on annual reports. Botosan (1997) argues that levels of voluntary disclosure in annual reports reflect levels of disclosure in other mediums of reporting since the disclosure levels in annual reports correlate positively with other mediums of reporting (see Lang and Lundholm, 1993). In addition, the annual report is considered to be one of the most important sources of corporate information in terms of the organization's construction of its own social imagery (see Gray et al., 1995b; Botosan, 1997). Furthermore, Gray et al. (1995b) noted that the information in the annual report is comparable because it is produced regularly and is available as public information. Finally, voluntary information in an annual report is perceived as being reliable because it is subjected to a certain degree of assurance. Auditors must judge whether, or not, all corporate disclosures within an annual report are consistent with the audited financial statements (Fisher, et al., 2004). Similarly, Neu et al. (1998) indicated that 'the annual report possesses a degree of credibility not associated with other forms of advertising' (p. 269). In relation to the issues of culture and CSR disclosures, these factors explain why previous studies were limited to annual reports (e.g. Williams, 1999; Halme and Huse, 1997; Haniffa and Cooke, 2005; Van Der Laan Smith et al., 2005).

On the other hand, prior studies also show the significant use of corporate websites in CSR reporting (e.g. Patten and Crampton, 2004; Rowbottom and Lymer, 2009; Cho and Roberts, 2010). In fact, it has been reported that companies supply more CSR information online than in the traditional hard copy forms such as in the annual report (e.g. Guthrie et al., 2008). Cho and Roberts (2010) argue that corporations use internet reporting and website platforms to project an environmental management approach that is acceptable to public

stakeholders. As such, companies with poor environmental performance provide extensive environmental disclosures and present their disclosure on savvier websites (Cho and Roberts, 2010). Likewise, De Villiers and van Staden (2011) reported that disclosures on corporate websites vary from those in annual reports because the information is made under different conditions. When faced with environmental crises, firms disclose high levels of environmental information on corporate websites. When faced with an unfavourable environmental reputation, companies are inclined to disclose increased amounts of environmental information in annual reports than on corporate websites (De Villiers and van Staden, 2011). Hence, although CSR disclosure is mainly made at the discretion of the managers, researchers continue to investigate how the disclosure in various reporting media is beneficial to various groups of users and why managers are selective in their choice of reporting media (e.g. Simnett et al., 2009; Rowbottom and Lymer, 2009; De Villiers and Van Staden, 2011; Dhaliwal et al., 2011).

Therefore, a content analysis should not focus solely on one medium of reporting because this provides an incomplete picture of a corporation's CSR reporting. For example, Van Staden and Hooks (2007) and Hooks and Van Staden (2011) examined various means of reporting including annual reports, stand-alone environmental reports or triple bottom line reports, reporting done on the internet, and any other reports dealing with environmental issues. However, the main focus of these studies was limited to the environmental disclosures of 32 corporations in New Zealand. Frost et al. (2005) also examined various mediums of reporting, but their observations were limited to 25 Australian companies. Accordingly, this thesis extends the findings of previous studies by analysing the CSR disclosures in various mediums of reporting across several countries.

5.3.2 Unit of Analysis

Secondly, after determining the medium of reporting, the unit of analysis should be clearly identified and operationally defined (Guthrie and Abeysekera, 2006). A unit of analysis can be a word count, a sentence count, the fraction of a page, or graph usage (e.g. Gray et al., 1995; Deegan et al., 2002; Milne *et al*, 2003; Van Staden and Hooks, 2007; Jones, 2011; Hooks and Van Staden, 2011).

Counting words as a unit of analysis has been extensively used in content analysis literature. Words that meet content analysis requirement are counted and analysed in determining meaningful patterns. Words are easily categorized and thus have the pragmatic advantage that databases may be scanned for specific words (see Unerman, 2000). Accordingly, a researcher can analyse large amount of data. In addition, it is possible to design a specific computer program to identify patterns in information by identifying repetitive words. For example, Cho et al. (2010) used a specific computer programme to count words in environmental reports; the software for this programme has been designed to identify some degree of bias in information.

A major weakness underlying word counts is that it is influenced by the writer's command of language and their writing style. This is especially true in cases where English is a second language and the English versions of reports are the translated products. For example, the literature shows that a focus on technical accuracy in translating annual reports may result in statements that are difficult for native speakers to interpret (see Jeanjean et al., 2010, p. 202). Therefore, a word count is not an appropriate unit of analysis for the CSR reporting of companies where English is a second language for personnel responsible for the reports.

In a recent study, Jones (2011) examined the graph usage in social and environmental reports. Graphs in annual reports were measured based on the Graphical Discrepancy Index (GDI) adapted from Mather et al. (2005). Specifically, Jones (2011) contended that good news is exaggerated if the percentage change is positive in graph size in relation to the percentage change in the data over the years. For example, a column that indicates an increase in recycled materials is designed to be larger than that of their decrease counterparts. Thus, some companies manage graph usage to emphasize favourable news. Jones (2011) documented evidence of impression management in graph usage; where good news was portrayed more often than bad news. Although GDI contributes to the understanding of graph usage in CSR reporting, such a change in the presentation of the graphs would be more obvious and useful to the researcher than to the actual users of corporate reports (see Beattie and Jones, 2008).

Page counting is an alternative unit of analysis in content analysis. For example, Unerman (2000) identified CSR pages using a grid with 25 rows of equal heights and four columns of equal width. The grid was laid on a CSR report, and the quantity was counted based on the number of cells on the grid that represented disclosure. The page reflects the amount of total space given to a topic and, by inference, the importance of that topic. Furthermore, page counting is an easier (and more reliable) unit to use in the manual measurement process (Unerman, 2000; p. 84). Pages capture pictures, graphs, text size, format, and margin where words and sentences are not individually captured. Unerman (2000) argues that ‘photographs are sometimes a more powerful tool in CSR than narrative disclosures for stakeholders who do not have either time or inclination to read every word in the annual report and just flick through it’ (p. 675). However, a researcher cannot identify the quality and nature of the information solely by counting a proportion of the pages. Moreover,

the interpretation of pictures and photographs is far more subjective than the interpretation of words and sentences. [54] For example, two sentences which are identical, but in different font sizes, may produce different results if the proportion of pages is used as measurement units (see Hackston and Milne, 1996).

Accordingly, sentence counting is preferable to other methods if one is seeking to infer meaning (see Unerman, 2000). Milne and Adler (1999) claim that sentences are far more reliable as a basis for coding than any other unit of analysis because sentences are easily identified and less subject to inter-coding variation than phrases, pictures, or paragraphs (see Hackston and Milne, 1996; Hasseldine et al., 2005). Sentence counting overcomes the problems encountered in the proportion of page counting method. Nonetheless, sentences ignore the pictures, photographs, formats, margins and text sizes contained in the reports. On the basis of this, researchers have employed multiple units of analysis to infer amount (or extent) of disclosure (e.g. Hackston and Milne, 1996; Van Der Laan Smith et al., 2005; Hooks and Van Staden, 2011). For example, to include the graphs and tables in the analysis in sentence counting, Van Staden and Hooks (2007) employed a threshold of 15 words per sentence. Hooks and Van Staden (2011) measured environmental reporting using both the proportion of pages and sentence counting methods.[55] They counted pages based on the proportion of CSR sentences in relation to the total number of sentences in the corporate reports. More importantly, they reported that the subsequent analysis and results based on sentence counting are consistent with those based on proportion of page (see also Milne and Adler, 1999). Similarly, Van Der Laan Smith et al. (2005) reported no differences in

[54] For example, Kuasirikun (2011) analyzed the number of times pictures of women feature in corporate annual reports as opposed to pictures of men. Since her study is descriptive and interpretive, it does not properly address the issue of the standard unit of picture quality.

[55] Hooks and van Staden (2011) used a proportion of page counting to check for the internal validity of the extent of environmental disclosure. The results, which are not tabulated, show a high consistency between the two units of analysis.

conclusions based on the various units of analysis. For these reasons, this thesis employed sentences as unit of analysis. In addition, consistent with Van Staden and Hooks (2007), graphs and tables were captured based on a threshold of 15 words per sentence.

5.3.3 Coding Categories

The third issue underlying content analysis relates to coding systems; i.e. the scientific categorization of the disclosure. CSR disclosures can be categorized based on quantity (i.e. volume or extent) and quality.

5.3.3.1 Quantity or Extent of Disclosures

In regard to quantity, CSR disclosures can be categorized based on location of information, frequency of reporting and themes (Gray et al., 1995b). Location of information includes sections of the annual report such as: Chairman's Statement; Director Reports; Management, Discussion and Analysis (MD&A); Corporate Governance Report, or on specific CSR sections. In addition, frequency of CSR reporting in annual reports, corporate websites and stand-alone CSR reports can also be employed as the coding categories (see Frost et al., 2005). Themes of information include environment, community, employees and customers (e.g. Gray et al. (1995b), product safety and stockholder rights (e.g. Van der Laan Smith et al., 2005). Pages, sentences or words are counted and sorted according to these themes. While the data provides descriptive information on the extent of the disclosure, it gives few descriptions of the underlying meaning of each disclosure.

Accordingly, Gray et al. (1995b) suggested that the loss of information stemming from consideration of extent of information only can be mitigated to a degree by assessing the type and quality of the data given. For example, news and evidence reflect the nature of

the information. News and evidence are presented as being good, bad or neutral (Wiseman, 1982); optimistic or certain (Cho et al., 2010); positive, negative, monetary or non-monetary (Wiseman, 1982; Striokova et al., 2008), and pro-active, reactive, informational or promotional (Van der Laan Smith et al., 2005). In addition, a disclosure can also be categorized based on its timing, such as being in the future, current or in the past (Van der Lann Smith et al., 2005).

The good news comes in the form of any statements (beyond the minimum), in which the details give a creditable or neutral reflection of the company (Gray et al., 1995b). Disclosures which reflect on, or may discredit a company are considered as bad news. News is termed as neutral when it provides no details of what and how the statement could bring either credit, or discredit, to the company (Gray et al., 1995b, p. 99). Jones (2011) distinguishes between good news and bad news based on the topic chosen and the performance of that topic. For example, topics such as recycling or environmental expenditure are considered to be good news. Topics about energy usage, water consumption or air emissions are regarded as bad news. Trends which record an increase in such unfavourable matters as air emission are regarded as bad news; while a decrease in trends is considered to be good news (Jones, 2011, p.78).

Disclosures can also be identified based on the evidence. For example, information which is contained and related primarily to the financial disclosure of actual financial data is considered to be ‘monetarily quantitative’. Information contained, or that is primarily related to actual numbers of a non-financial nature, are termed as ‘other quantitative’ (Gray et al., 1995b, p. 99). Information which discusses future events is considered to be pro-active; whereas, reactive information provides information about the past (see Van Der Laan Smith *et al*. 2005). Information which is biased towards good news, coupled with a strategy that

attributes positive performance, is considered as optimistic disclosure; and the disclosure is termed as 'certain' when the language used indicates resoluteness, inflexibility and completeness (Cho et al., 2010, p. 4).

On the basis of the above categorization of disclosures, researchers assign scores to the disclosures. Bozzolan et al. (2006) and Van der Laan Smith et al. (2005) assigned three values for disclosure, these are: '0' for non-disclosure, '1' for information without quantified results and '2' for information with quantification. Wiseman (1982), Cheung et al. (2010), Guidry and Patten (2010) assigned a scale of four: '0' for non-disclosure; '1' for a brief statement; '2' for elaborative statement without quantification and '3' for a disclosure with details and quantification. Table 5.2 summarizes the literature that employs content analysis techniques. The table shows that researchers employed a variety of techniques in scoring the disclosures. More importantly, it should be noted that the scores assigned to a disclosure indicate the level of comprehensiveness of a disclosure. These categorizations may also be referred to as 'disclosure quality'.

Table 5.2: Summary of Literature That Used Content Analysis

Reference	Journal	Disclosure	Range	Scale	Description
Bozzolan et al., 2006	Journal of Human Resource Costing & Accounting	Intellectual capital	quantity and quality	0-2	0 (no disclosure); 1 (qualitative information); 2 (quantitative information)
Buhr and Freedman, 2001	Critical Perspectives on Accounting	Environmental disclosure	quantity only	N/A	Information was identified based on 88 items, which were categorised into 18 groups
Cheung et al., 2010	Journal of Accounting and Public Policy	Voluntary disclosure (Corporate Governance)	quality only	0-3	Information was assessed based on its quality: 0 (no disclosure); 1(poor); 2 (medium); 3 (high)
Cho, Roberts and Patten, 2010	Accounting, Organizations and Society	Environmental disclosure-	quantity	N/A	Five constructs: certainty, optimism, activity, realism, and commonality. A type of software, DICKSON, was used to measure tones of information
Elsayed and Hoque,2010	British Accounting Review	Voluntary disclosure	quantity	0-1	Binary scale, based on a disclosure index
Frost et al., 2005	Australian Accounting Review	CSR disclosure (GRI)	quality only	0-1	GRI index. Only core GRI indicators are assessed. Scores are on binary scale.
Guidry and Patten, 2010	Sustainability Accounting, Management and Policy Journal	CSR disclosure (GRI)	quality	0-3	55 items developed based on GRI core indicators. Scores are consistent with Wiseman (1982): 3 (quantitative); 2 (elaborative, but no quantification); 1 (disclosure only)
Haniffa and Cooke, 2005	Accounting and Public policy	CSR- self developed	quantity and quality	0-1	Extent of CSR is measured by word counting; quality is expressed using dichotomous measures, based on the index

Hasseldine et al., 2005	British Accounting Review	Environment-al reputation	quantity and quality	0-5	Quantity is measured based on sentence counting and proportion; quality is based on scales of 0-5: 0 (no disclosure); 1 (general rhetoric); 2 (specific endeavour, policy only); 3 (specific endeavour, policy specified); 4 (implementation and monitoring, but quantified results not published; 5 (implementation and monitoring, use of targets, quantified results published). The model tested both weighted and un-weighted scales
Holland and Foo (2003)	British Accounting Review	Environmental disclosure-self developed	location	N/A	coding is based on location (company's objective; chairman's report/letters to shareholders; MD&A; Director Report; Corporate Governance; Notes to accounts; Separate environmental section
Hooks and van Staden, 2011	British Accounting Review	Environmental disclosure-adapted from UNEP index	quantity (extent) and quality	0-4	Disclosure was assessed using various methods: sentences/word counts/ and proportion of pages. Quality score is given based on 5 scales: 0 (no disclosure); 1 (minimum coverage); 2 (descriptive); 3 (quantitative); 4 (truly extraordinary-benchmark against best practice). Multiple scales, depending on the items. Multiple scales were used throughout the index
Milne et al., 2003	Business Review, University of Auckland	Environmental disclosure-UNEP index	quantity and quality	0-4	0: no coverage; 1 (minimum coverage-little detail); 2 (detailed and honest, including company shortcoming and commitments); 3(commitment to and progress toward sustainable development in core business); 4 (commitment to and progress towards TBL)
Striukova et al., 2008	British Accounting Review	Intellectual capital	level of quantifi cation	N/A	Sentences are counted based on positive/negative tones; monetary/non-monetary; location
Van der Laan Smith et al., 2005	Accounting and Public policy	CSR- self developed	quantity and quality	0-2	Extent of disclosure was assessed using sentences/word counts. Quality score is given based on criteria: monetary vs. non-monetary; pro-active vs. reactive; future events vs. past; informational vs. promotional
Van Staden and Hooks, 2007	British Accounting Review	Environmental disclosure-UNEP index	quality	0-4; 0-2	Extent of disclosure was assessed using sentences/word counts. Quality score was given based on 5 scales: 0 (no disclosure); 1 (minimum coverage); 2 (descriptive); 3 (quantitative); 4 (truly extraordinary-benchmark against best practice). Multiple scales were used
Wang et al., 2008	International accounting , auditing and taxation	Voluntary disclosure	quantity and quality	0-1	Index as unit of analysis; scores are un-weighted

Webb et al., 2008	The International Journal of Accounting	Voluntary disclosure-self developed	quantity and quality	0-3	Coding is equally weighted. Low quality (score of 1) indicates disclosure without additional discussion; 2 (medium) indicates disclosure with additional discussion; 3 indicates disclosure, with additional discussion, and comparison with benchmarks. Weight is constant throughout the scales.
Xiao et al., 2005	Advances in International Accounting	CSR- self developed (adapted GRI)	quantity only	N/A	Unit of analysis: sentences counted based on themes
Yongvanich and Guthrie, 2005	Accounting Forum	Intellectual capital	quantity only	N/A	Unit of analysis: sentences counted based on categories in the disclosure index
Mir et al., 2009	Managerial Auditing Journal	CSR disclosure	quantity	N/A	Unit of analysis: sentences counted based on categories in the disclosure index

5.3.3.2 Disclosure Quality

Disclosure quality can be described from various perspectives. For example, researchers from capital market streams relate quality with the usefulness of the decisions made (see Murray et al., 2006; Dhaliwal et al., 2011). CSR reporting is value-relevant and high in quality if it is useful to both the preparers and the users of corporate reports. [56] Proponents of the legitimacy theory relate reporting quality to the actual environmental (or social) performance of a company (see Cho and Roberts, 2010; Cho et al., 2010). Researchers in legitimacy theory investigated to reveal whether or not reporting was employed as a means of informing performance, to distract the attention of the stakeholders, or in as an attempt to change stakeholder perceptions (see Lindblom, 1994; Al-Tuwaijri et al., 2004; Cho and Patten, 2007; Clarkson et al., 2008). However, consistent with Hasseldine et al. (2005), the hypotheses of this thesis are not based on positions of legitimacy theory (i.e. concentrating on what managers are trying to avoid happening). Rather, it focuses on what managers actually do in a company in response to all the forces institutionalized within and between the systems of an organization. This view is adopted from the institutional theory, which has been discussed extensively in Chapter 4.

Accordingly, it is argued that information which is both comprehensive, numerical, and has been compared against benchmarks or standards are high in quality. For example, Van der Laan Smith et al. (2005) measures the quality of CSR disclosures using multi-method approach. Consistent with Patten (1995), they argue that information which is numeric in nature is high in quality (Van Der Laan Smith et al., 2005, p. 140). The numerical data provides straightforward information to the reader. Van der Laan Smith et al. (2005) considered information which was 'pro-active, discussed future events, and was

[56] Detail on this research is discussed in Chapter 2.

informational being of a higher quality than disclosures that are reactive, historical or promotional in nature' (p. 140).

Similarly, Van Staden and Hooks (2007) argue that 'a high quality environmental report should communicate a comprehensive story of an organisation's environmental impact and performance by providing information about its strategies, progress and contribution in this respect' (p. 201). Quality was scored based on a scale of five ('0' for no disclosure; '1' for minimum coverage, having little detail, or briefly mentioned; '2' for disclosure with some description, but with the company policies clearly outlined; '3' for quantitative statements, in which environmental impact was clearly defined in monetary terms or in actual physical quantities; and '4' for truly extraordinary disclosure, benchmarked against best practice).[57]

The quality of CSR reporting as viewed by academics is consistent with the meaning of quality given by assurance providers (Hammond and Miles, 2004). In the UK, Hammond and Miles (2004) examined the perceptions of the corporations and the assurance providers with regard to the quality of CSR reporting. Interviews with four UK-based assessment organizations and 60 corporate representatives revealed that respondents regard 'quality' as being the presence of such items as 'quantitative disclosure, third party verification, establishment of [targets], and reporting against (appropriate) targets' (p. 71). These attributes are similar to those provided by academics in the preceding discussion. Accordingly, researchers can examine disclosure quality by assigning scores to a disclosure index.

[57] In Van Staden and Hooks (2007), nineteen of the 32 items in the index were scored on the 5-point scale. The rest of the items were scored on a scale of 2 or 3, depending on the nature of the information.

5.3.3.3 Disclosure Index

In this thesis, an index is used to categorize the quantity and quality of CSR disclosure. As stated in Table 5.2, a number of researches have employed this method (see, for example, Haniffa and Cooke 2005; Van Staden and Hooks, 2007; Elsayed and Hoque, 2010; Hooks and Van Staden, 2011). As discussed earlier, Van Staden and Hooks (2007) used a 32-item index that covering environmental issues. The index in Van Staden and Hooks (2007) has six categories: entity, management policy and systems, environmental impacts, stakeholders, financial impacts and general information. On the other hand, the index used by Cho and Roberts (2010) relates to on-line environmental reporting; this has been categorised into two parts: extent of disclosure and website presentation. The content of the environmental disclosure comprises of 21 items. It covers aspects which include: capital expenditure for pollution abatement or control, pollution abatement and other disclosures relating to environmental issues. The index in Joseph and Taplin (2011) covers a broader aspect than the environmental issues. Joseph and Taplin (2011) measure both the occurrence and abundance of the disclosures, and the index includes items such as environment, social issues, employees, economies and stakeholder engagement.[58] This thesis employs an index which is similar to Joseph and Taplin (2011), but the index in this thesis has been adapted from GRI. Details are discussed in section 5.4.1.

In many instances of index usage, researchers have employed the sentence as the unit of analysis (e.g. Hackston and Milne, 1996; Joseph and Taplin, 2011; Hooks and Van Staden; 2011). In these instances, sentences were counted according to the categories in the index in order to compute the quantity (extent) of the disclosures. A score of '1' is given if the item appears in the CSR report; and as '0' otherwise. This method has been extensively employed

[58] Disclosure abundance records the extent of the disclosures through sentence counting. Disclosure occurrence was counted based on items in an index without taking into account the volume of disclosure for each item.

by researchers in the area of culture and CSR reporting (see Williams, 1999; Haniffa and Cooke, 2005; Newson and Deegan; 2002). However, the method has been criticized for recording only the extent, not the quality of the disclosure (see Guthrie and Abeysekara, 2006). Therefore, a scale of more than one was assigned to each item in the index. This procedure denotes the comprehensiveness of the disclosures, or the disclosure quality (a point which has been discussed in the earlier section). In this research, scores ranging between '0' to '1'; '0' to '3' and '0' to '4' are assigned to all the items in an index. Details of content analysis procedures in this thesis are described in section 5.3.

5.3.3.4 Weighting and Un-weighting the Index

Scores in an index may be either weighted or un-weighted. Information is weighed based on certain criteria attached to the information. For example, Freedman and Jaggi (2005) used both weighted and un-weighted indices to compute environmental disclosures in relation to Kyoto Protocol. They constructed five items that capture Protocol-related disclosure. Each item was assigned scores within a scale of '0' to '5'. For the weighted index, an equal value of one was assigned to each item. Freedman and Jaggi (2005) argue that the method is simple and avoids controversy (p. 223). A weighted index is formulated based on the assumption that the information conveyed by the various items differs in importance. Quantitative information has been allocated a higher weight than descriptive information. Therefore, of the five items in the index, item 1 (i.e. general information about global warming) was weighted as '1'; item 2, (i.e. disclosure on company plans) was weighted as '2'; whereas, items three, four and five (disclosure on potential costs, current costs and amount of emissions) were weighted as '3'. However, the findings of the study provide no significant difference in results using both indices (see also Botosan 1997).

Accordingly, the proponents of the un-weighted index provide several justifications for the use of un-weighted index (see Elsayed and Hoque, 2010). Firstly, it reduces subjectivity in determining weights of information (see Ahmed and Courtis, 1999; Botosan 1997). Secondly, the weight of information is more useful to the researchers than the users of information themselves because the users generally 'lack self-insight regarding their own use of information' (Dhaliwal, 1980, p. 387). Thirdly, as demonstrated earlier, similar research conclusions have been derived regardless of whether the CSR information was weighted or un-weighted (e.g. Choi, 1973, Chow and Boren, 1987). Finally, 'assigning scores for disclosed information depending on eliciting subjective opinions from a user group may be misleading, because the level of usefulness which is assigned to each disclosure item is not absolute, rather it varies depending on country' (p. 25). For these reasons, in this research, no weight is assigned to any of the items in the disclosure index.

5.3.4 Reliability and Validity of CSR Measurements

The final issue of content analysis relates to the reliability of CSR measurements. Krippendorff (1980) identified three issues in relation to reliability of data: accuracy, reproducibility and stability. Accuracy is achieved if content analysis is conducted based on specific decision rules. The decision rules were formulated following a pilot test of a random set of sample. For example, Boesso and Kumar (2007) examined 50 sentences in the pilot test and they produced 21 decision rules. These rules were endorsed with the use of multiple coders during the content analysis process. Secondly, to achieve reproducibility, content analysis should pass tests for inter-coder agreement. These tests are particularly important when content analysis is conducted by several coders. Hackston and Milne (1996) employed two tests for inter-coder agreement: Scott's (1995) alpha pie and Krinpendorff's (1980)

alpha. The agreement of 0.80 per cent (or higher) should be achieved as an acceptable standard of reliability (see Hackston and Milne, 1996). For example, Hackston and Milne (1996) achieved an alpha of 0.901 and a Scott's pie alpha of 0.873. In Boesso and Kumar (2007), each coder independently analysed 232 sentences (which represents approximately 0.1% of the total number of sentences analysed); they achieved an alpha of 0.87. Hasseldine et al. (2005) employed three coders and sampled 60 out of 139 reports for the reliability test. They achieved alpha values of above 85% in all tests. Finally, 'stability was verified by recoding a sample of reports independently a certain period after the coding process was completed' (Boesso and Kumar, 2007, p. 282). The results for content analyses of these two different periods should be similar and correlation tests should demonstrate the stability.

In another instance, Botosan (1997) employed correlation tests as a measure of internal consistency. Botosan (1997) argued that the components of the disclosure index should correlate positively with one another, and the correlation co-efficient of two per cent or better. There are two tests for internal consistency: the Cronbach coefficient and factor analysis. Firstly, 'Cronbach's coefficient alphas (Cronbach, 1951) is a measure of internal consistency using repeated measurements to assess the degree to which correlation among the measurements is attenuated due to random error [in this case, the various categories of the disclosure index]. The coefficient alpha takes on a maximum value of one when the correlation between each pair of variable is one' (Botosan, 1997, p. 335). Botosan (1997) indicated further that there is no standard test of significance for this statistic. 'As a general rule, an alpha of 0.8 indicates that the correlation is attenuated very little by random measurement error' (Botosan 1997; p. 335). Secondly, factor analysis involves the construction of a new set of variables based on the relationships in the correlation matrix. These correlation coefficients are called loadings. To achieve a high level of internal

consistency, all items in the disclosure index should load on to a single factor, where the amount of variation is close to one (see Botosan, 1997). The reliability and validity tests employed in this thesis are discussed in section 5.4.4.

5.4 CSR Disclosure

Information on the CSR reporting was obtained through content analysis of the 2008/2009 company annual report, the CSR stand-alone report and the corporate website. Annual reports were obtained from the Mergent Online database and corporate websites. Since this study involved the use of hand-collected data, the analysis was limited to one year. It has been argued that disclosure analysis can be limited to one year because company disclosure policies appear to remain relatively constant over time (see Botosan, 1997). The fiscal year of 2008/2009 was chosen because it was recent enough to ensure reasonable access to corporate company reports, yet still ensure that other post-sample year data would be available (this includes CSR stand-alone reports and corporate websites). The relevant sections of each annual report were printed and all related sections on corporate websites (including the CSR stand-alone report) were saved as Portable Document Format (PDF) files. Content analyses were conducted on both soft copy and hard copy files. CSR information on the annual report, the CSR stand-alone report and corporate website were assessed separately. Each CSR disclosure was not assessed twice. The seven corporate websites that were duplicates of those in the corporate annual reports were discarded.[59] A total of 403 observations were made (see Table 5.3).

[59] In this research, sentences that have been duplicated in other reports were not assessed twice. However, two similar sentences in one report were counted twice. It has been argued that sentences that have been repeated in a similar report are important. This treatment is in the spirit of Unerman (2000), who provided further grid scores for reporting that have a larger font size. This treatment affects CSRQUANTITY, but not CSRQUALITY. However, this issue is considered minor because this thesis reports a high level of correlation between CSRQUANTITY and CSRQUALITY.

Table 5.3: CSR Reporting

Country	Annual Reports	Corporate Websites:		Total Observations
		CSR section	CSR Report	
China	50	22	8	80
India	52	32	11	95
Malaysia	51	28	8	87
UK	50	50	41	141
TOTAL	203	132	68	403

Table 5.3 shows that all companies provide CSR disclosure in annual reports. Sixty five per cent (132 out of 203 companies) have CSR sections in their corporate websites. Fifty one per cent (68 out of 132) of companies with corporate websites produced stand-alone CSR reports. However, the ratio could have been influenced by the number of CSR reports produced by UK companies, which is relatively high. By country, the UK is ranked first, as all the companies have a CSR section in their corporate websites; 41 of them (82 per cent) annually produce stand-alone CSR reports. India is ranked second, followed by Malaysia and China. China and Malaysia respectively produced 22 and 28 CSR sections on their corporate websites; and they produced the same number of CSR stand-alone reports for the year 2008/2009.

Since the analysis of the corporate websites was undertaken only on companies that disclosed CSR information, self-selection could be an issue in this thesis.[60] This means, that

[60] In disclosure studies, a simple way to address self-selection bias is by examining an endogeneity problem (see Leuz, and Verrecchia, 2000). For example, in regard to the issue of voluntary disclosure and value relevance, it has been argued that companies with high market values tend to provide a high quality of disclosure and vice versa. Thus, the self-selection bias could be a problem because researchers focus only on companies with disclosures only. However, to the best of the author's knowledge, such an issue has never been raised in the CSR reporting literature because there is no conceptual argument on the way in which culture could be treated as a dependent variable. In addition, findings of this thesis apply to the companies with CSR disclosures only. More importantly, self-selection could not be a major issue because all companies have at least one CSR sentence in the annual report.

the findings of this study are applicable to both the reporting groups and to the mediums of reporting. For this reason, results are presented based on disclosure from annual reports, CSR stand-alone reports and corporate websites, in addition to the combination of all the reports.

5.4.1 Disclosure Index

Sentences were primarily used as a unit of analysis because prior literature has shown that, when using various units of analysis, there is no difference in the results (see Van Der Laan Smith et al., 2005; Hooks and Van Staden, 2011). Secondly, sentence counting is consistent (thus, comparable) with prior studies (e.g. Van Der Laan Smith et al., 2005; Joseph and Taplin; 2011).

CSR sentences were identified based on a checklist of 65 items adapted from the Global Reporting Initiatives (GRI) indicators. The GRI index was used in this study for five reasons. Firstly, GRI provides an internationally recognized framework for CSR reporting (Frost et al., 2005); this is relevant in a study that examines CSR reporting practices at an international level. Secondly, using an internationally recognized framework to measure CSR disclosure enables replication of the study. Thirdly, the GRI index is comprehensive; it covers all aspects of reporting such as social, environmental and economic performance. Fourthly, the GRI is also considered to be the latest and most innovative measure of CSR reporting. [61] Finally, previous studies that examine CSR issues, such as environmental reporting (e.g. Hasseldine et al., 2005; Van Staden and Hooks, 2007), ethical and social reporting (e.g. Adams and Kuasirikun, 2000), and sustainability reporting (e.g. O'Dwyer and Owen, 2005; Frost et al., 2005) utilize the GRI as a framework for the development of their disclosure indices.

[61] The first version of the GRI was issued in June 2000 and revised two years later as G3 (Frost et al., 2005).

In general, all the Key Performance Indicators (KPI) in the GRI have been adapted in the index for this thesis because the KPI represents each company's performance in CSR. The index has seven main categories: environment; society; labour; human rights; product responsibility; economic indicators, and organizational profiles and strategies (See Appendix C). The first six categories are referred to as CSR key performance by G3.[62] The adoption of the first six categories is consistent with the procedure in prior studies (see Hackston and Milne, 1996; Van Der Laan Smith et al., 2005). The seventh category (i.e. organizational profiles and strategies) was developed in accordance with the arguments made by Clarkson et al. (2008) and Aerts and Cormier (2009) that aspects of reporting which can be easily mimicked should be distinguished from those which reflect actual performance. Therefore, items relating to mission statements, profiles, strategies, values and the code of conduct for CSR are covered by the organizational profiles and strategies. Details of each category are discussed below:

1) Environmental Performance Indicators: This section contains 24 items that measure corporate impact on the environment. Issues in this section cover aspects such as: recycling, impact of company operations on biodiversity and the environment, habitats protected or preserved, strategies for managing environmental impact, greenhouse gas emissions, wastewater and hazardous waste disclosures, fines for environmental citations, impact of transportation of goods, and total environmental expenditure. The score for each item ranges from '0' to '4'.
2) Social Performance Indicators: There are 6 items in this category that measure the followings: impact of programmes on communities, anti-corruption programs and policies, public policy involvement, political contributions, policies regarding anti-

[62] The G3 is the latest version of GRI at the date when the data was collected. Today, the latest version of GRI is known as the G3.1 (Global Reporting Initiative, 2011)

competitive behaviour, and fine or sanction for non-compliance. The four items that relate to company policy have a scale of three, and the remaining items have a scale of five.

3) Labour: These items measure issues related to employees; including number of employees, employee turnover, information relating to training skills and career enhancement and the ratio of men or women workers to the total number of employees. Most items were measured based on a scale of five.
4) Human Rights: This category has 9 items that measure corporate involvement in human rights. Questions relate to corporate policies; the scores range from '0' to '3'.
5) Product Responsibility: This category is comprised of five items: the assessment of products or services for safety issues; product labelling requirements; practices relating to customer satisfaction; marketing-related laws; and codes and policies in regard to customer privacy. The three items on corporate policy have a scale of four; the remaining items are measured on a scale of five.
6) Economic Indicators: There are three items in this category. These items measure the amount of direct economic value generated and distributed; the financial implications, the risks, or opportunities resulting from climate change; and the indirect economic impact of corporate activities.
7) Organizational Profiles and Strategies: This section measures disclosures on policies and strategies of CSR practice. This section analyses the existence of the following information: any statement from a CEO indicating the relevance of sustainability issues to the organization; CSR policies or systems; mission statements, values or codes of conduct relevant to CSR topics; and stakeholder engagement. Consistent with Clarkson et al. (2008), items in this category are considered as 'easy disclosure', as opposed to 'hard disclosure'. These items were scored based on a scale of two or a scale of three.

5.4.2 Quantity of CSR disclosures

CSR disclosure is measured based on quantity and quality. To compute quantity, sentences that meet the decision criteria have been identified and added according to the seven categories in the disclosure index. Annual reports, CSR sections of corporate websites and stand-alone CSR reports were read separately. In each report, the relevant CSR sentences were highlighted and their location and page numbers were identified. The identification of CSR sentences in annual reports was not straightforward because the sentences pertaining to CSR appear in many sections: President's Speech, Directors' Reports, Separate CSR report and the MD&A sections. In addition, all mandatory disclosures had to be excluded from the analysis.[63] In China and Malaysia, there is no mandatory requirement in relation to CSR issues.[64] Thus, all CSR disclosure is treated as voluntary. With reference to India, two main sets of legislation were referred to: details of employees and details of environmental expenditure (see The Companies Act, 1956; Companies Rules, 1975). This information was mandated in Director Report. For United Kingdom companies there are several rules that govern CSR disclosure. In this thesis, disclosures relating to business risk have been discarded from the analysis because the disclosure about business risks is part of the mandatory requirement (The Companies Act, 2006; see also Beck et al., 2010). The CSR sentences that had been identified were totalled to represent CSR quantity in annual report (QUANTITYAR).[65]

[63] Table 3.1 shows the relevant legislation that has been referred to during the data analysis.

[64] In Malaysia, effective from 2007, Bursa Malaysia requires all publically listed companies to disclose their CSR activities in annual report (Bursa Malaysia, 2011). Bursa Malaysia provides a guideline that describes how the CSR information can be disclosed. However, the adoption of the guideline remains voluntary. (This is different from instances in India and the UK, in which specific disclosures on CSR issues have been made mandatory). For these reasons, this thesis treats CSR disclosure in Malaysia as voluntary.

[65] The computation of CSR quantity also considered any sentence that has been repeated in a corporate report. It is argued that the repetition infers the importance of the disclosure.

In regard to corporate websites, only the relevant CSR sections were saved as Portable Document Format (PDF) files. All website sections were saved as at July and August, 2010. Website sections with headings such as environment; society; heath, society and environment (HS&E) were treated as the CSR sections of the corporate websites. All related links to the website sections were saved, but the links to audio-related files were discarded. The minimum number of PDF files saved per company was one, the maximum being 53 files. In order to compute the quantity of CSR disclosures in corporate websites, all sentences in the PDF files were counted. [66] A similar procedure was repeated for the CSR stand-alone reports. Sentences in corporate websites and CSR stand-alone reports were combined and labelled as QUANTITYWEB. The total number of CSR sentences in annual reports, corporate websites and CSR stand-alone report is referred to as QUANTITYALL.

5.4.3 Quality of CSR disclosures

The quality of the CSR sentences was measured on a scale of five, ranging from 0 to 4, with '0' for no disclosure; '1' for brief, general statement or policy stated; '2' for specific endeavour, descriptive information of implementation and monitoring; '3' for quantitative statement and '4' for the use of targets in addition to publications of quantified results.[67] Previous studies have recognized that some disclosure items have greater importance than others; thus, it is desirable not to treat all items as being of 'equal value' (see Guthrie and Abeysekara, 2006). Therefore, not all items in the disclosure index are recorded on a scale of five (see Hooks and Van Staden, 2011). Disclosure of policy is on scale of three; whereas,

[66] This excluded cover page, titles of sections, table of contents, feedback forms and the list of address and phone numbers at the end of the report.
[67] A scale with scores ranging from '0' to '4' is considered to be the maximum because Nunally (1978) pointed out that any number greater than five in a likert-item scale is meaningless.

disclosure on organizational profiles is on a scale of two (see Appendix C). The following table shows an example of the sentences and their scores.

Table 5.4: CSR Sentences and Scoring

Score	Description	Examples*
0	No disclosure	Nil
1	General or rhetorical statement	"We believe that this corporation should minimize its environmental impacts…"
2	Explanation is provided	"We participated in several emissions-saving projects this year, such as using green energy..."
3	Quantitative/monetary values is disclosed	"CO2 emission this year is ….(the emission data is provided using standard unit of measurements)"
4	Benchmark/comparison with last year's figures/ standard	"This year, CO2 emission is …It is considered as a 5% improvement on the last year and 1% above the standard. The achievement contributes to the saving of $200,000".

*Examples are hypothetical

Annual reports, corporate websites and CSR stand-alone reports are assessed separately. CSR quality is presented as per the annual report (QUALITYAR), a combination of the CSR section as found on corporate websites and CSR stand-alone reports (QUALITYWEB), and a combination of all reports (QUALITYALL). The scores for the combination of quality compare scores for each index across reports and compute the highest score in its final form. For example, if an annual report provides disclosure on policy only (say, on a recycling issue) the quality score per annual report would be '2'. However, if the issue is elaborated with quantification and benchmarks in a CSR stand-alone report, the score for QUALITYALL would be '4'. In any of the report, a company may use several sentences to describe an item in the disclosure index. Thus, the sentence with the highest quality score is computed in the total score. The maximum quality score for the 65 items is 256. Results

are presented as an average for each company and reporting medium using the following formula:[68]

$$\sum_{65}^{1} \frac{X}{256} * 100\%$$

5.4.4 Reliability of Disclosure

Consistent with Krippendorff (1980), this thesis employed four procedures to minimize subjectivity in the CSR measurement. Firstly, to ensure consistency, content analysis was conducted by a single coder (myself), based on clearly specified decision rules. The decision rules in this research were been formulated following a pilot study involving the 70 companies of the sample. [69]

Secondly, the reliability test was performed by using two additional coders who repeated all the processes in the content analysis. The coders are post-graduate students who are familiar with the content analysis and CSR issues.[70] At the initial stage, briefings were given on how the analysis should be conducted. Decision rules, as well as the coding and scoring processes, were elaborated to the coders. In order to resolve any inconsistency in the understanding of the disclosure index, each coder was assigned one corporate report, and their content analysis results were examined and discussed (see Milne and Adler, 1999; Unerman, 2000; Guthrie and Abeysekera, 2006). In the final test, each coder examined 20 sample corporations. Their quality scores were compared with the researcher's by means of

[68] X represents total score of quality per report.

[69] In order to get feedback on the research method, the results of the pilot study were presented at two international conferences (The Accounting & Finance Association of Australia and New Zealand AFAANZ and The Asia Pacific Interdisciplinary Research in Accounting Conference APIRA). As a result of various comments, the disclosure index was reconstructed. Therefore, content analysis was performed twice for a sample of 70 companies. The consistency of the scores was measured using the cronbach-alpha test. An alpha of 0.89 was reported, indicating a high degree of consistency.

[70] Both coders have an honours degree in accounting. One coder is currently undertaking a social and environmental course as part of the requirement for his masters degree. The other has experience in content analysis obtained in her honours degree courses.

correlation tests. The results show correlations of 0.8 and 0.9 respectively, indicating a high degree of measurement reliability.[71]

Thirdly, to ensure accuracy, disclosure scores were compared with the GRI grades awarded to the company being studied.[72] The correlation tests show a significant positive relationship between the quality scores and the GRI grades (t=0.537; p=0.000),[73] indicating that the instruments are well matched with those given by the professional organizations.[74] Finally, as dichotomous scores have been argued to be less subjective than polychotomous scores (see Coy and Dixon, 2004)[75], a correlation test for these two scores has been computed.[76] A correlation of 0.849 (p=0.000) was found, indicating a high level of accuracy.

5.5 Independent Variables

The independent variables in this study are corporate governance, government ownership and national culture. Appendix D presents all the variables, their measurements and sources of information. The following discusses each construct.

5.5.1 Corporate Governance

As indicated in Chapter 4, the literature shows a number of measurements for corporate governance. For example, Larcker et al. (2007) identified 39 structural measures of

[71] Although the correlation results of the two coders vary, no issues are likely to arise because a threshold of 0.8 has been achieved (see Botosan, 1997). In addition, I also computed a factor analysis on CSR reporting data. The results showed that all the seven categories of disclosures loaded on a single factor.
[72] From a total of 203 companies, 33 companies (16.3%) used the GRI as a framework in the preparation of CSR reports.
[73] Spearman correlation test was computed. Quality scores across all report (QUALITYALL) correlated with GRI grades given by assurance providers and self-rated by the companies.
[74] This is either rated by assurance providers or self-rated by the corporations. Companies that employ a GRI framework in the preparation of CSR reports self-rate because the GRI has specified the rating criteria (see G3). From the 33 companies that used a GRI framework, 23 were rated: 16 were rated A+; 3 were B+; 1 was B; and 3 were rated C and C+.
[75] Coy and Dixon (2004) considered the scores with multiple quality scales as the polychotomous score.
[76] The full results on the correlation between the dichotomous scores and scores with multiple quality scale is presented in Chapter 6 (Table 6.4)

corporate governance (e.g. board characteristics, stock ownership by executives and board members, stock ownership by institutions, stock ownership by activist holders, existence of debt-holders, compensation mix variables and anti-takeover variables). The results of a factor analysis suggest that there are 14 dimensions of corporate governance; these include variables such as board size, lead directors (i.e. whether the chairman is also an executive director, and whether there is a leading director on the board), the number of meetings (which include audit committee meetings, compensation meetings, and board meetings), and the extent of director involvement in other matters (if any of the board directors, insiders or outsiders, serve on four or more other boards (see Larcker et al., 2007). In relation to corporate disclosures, Chapter 2 of this thesis describes how variables such as board composition and board size explain voluntary disclosure across countries (e.g. Haniffa and Cooke, 2005; Boesso and Kumar, 2007). However, the literature does not provide consensus as to whether the existence of independent directors enhances or hinders voluntary disclosure. In regard to environmental disclosure, Halme and Huse (1997) did not indicate the influence of board size on environmental disclosures. However, De Villiers et al. (2011) demonstrated that companies with a large representation of active CEOs on the board, and have a greater number of legal experts on their boards tend to have high environmental performance.[77]

This research takes board composition as a proxy for corporate governance because it is likely that the proportion of independent directors enhances CSR reporting, considering that the independent directors represent the broader views of the stakeholder perspectives (see for example, De Villiers et al., 2011). However, the direction of the association between board composition and CSR reporting might not be straightforward because the literature shows that cultural variables influence corporate governance structures (see Van Der Laan

[77] Details of the literature on corporate governance are discussed in Chapter 2.

Smith et al., 2005; Li and Harrison, 2007). Board composition is measured by the proportion of independent directors to the total number of directors. In the sensitivity analysis, this thesis employs other specifications for corporate governance: the number of independent directors and board size. These variables were obtained from the Mergent On-line Database. In cases where the information was not available, they were taken from the annual reports.

In addition, the effect of a CSR board committee on CSR reporting has also been examined in this research. As mentioned in Chapter 2, the presence of a committee shows a company's concern for the legitimization of its environmental reputation (see Neu et al., 1998). Al-Tuwaijri et al. (2004) treat the existence of an environmental committee as one of the attributes of a company's environmental concern. In this thesis, it is argued that the presence of a CSR board committee is part of the governance structure. This argument is derived from the literature, which regards the presence of compensation committees and audit committees as a proxy for corporate governance (see for example, Larcker et al., 2007). A CSR board committee is measured using a dichotomous scale of '1' if the CSR board committee exists and '0', otherwise. These variables were obtained from the annual reports for each company.[78]

5.5.2 Ownership Structure

As discussed in Chapter 2, prior studies show that corporate ownership structures describe voluntary disclosure across countries (see Eng and Mak, 2003; Liu and Anbumozhi, 2009; Elsayed and Hoque 2010). There are several indicators of ownership structure described in the literature: managerial ownership, family ownership, blockholder ownership,

[78] CSR board committees that are served by at least one director would be counted as '1'. Most of the information pertaining to CSR board committees was obtained from the Corporate Governance section of the annual report. Board committees with labels such as Environment, Society and Health; Sustainability; Social Responsibility were all treated as CSR board committees.

institutional ownership and government ownership (e.g. Eng and Mak, 2003). In regard to CSR issues, the presence of government shares in a corporation is likely to enhance the levels and quality of CSR disclosure because, to a certain extent, the disclosures reflect government commitments to CSR issues (see Amran and Devi, 2008). However, it is argued here that the attributes of culture such as levels of power distance could mitigate the relationship between government ownership and CSR reporting.[79] Accordingly, this thesis examines the influence of government ownership on CSR reporting. The variable was measured based on a dichotomous scale of '1' for companies with government shares of more than 50 per cent and '0' for privately owned companies. Data was obtained from the Mergent On-line database and self-collected from annual reports.

5.5.3 Culture

National culture variables were measured based on Hofstede's cultural dimensions (Hofstede, 1991; Hofstede, 2001). According to Hofstede, the social traits of a country can be presented in four cultural dimensions: individualism versus collectivism; high versus low power distance; high versus low uncertainty avoidance, and masculinity versus femininity (see Appendix B).[80] In regard to power distance, Malaysia was ranked first, followed by India, China, and the UK. This means that disparity or inequality in social status (due to factors such as social class, education level or occupation) is highly tolerated in Malaysian society.[81] With regard to individualism, the UK society was ranked the most highly, followed

[79] Details on this argument are presented in Chapter 4.

[80] This thesis used the ranking scores obtained from Hofstede, 1991 because in the regression analyses, the ranking scores provided variance inflation factor (VIF) results which were better than the original scores (see Appendix B). Nonetheless, the regression results using the ranking scores of national culture were similar to the results based on the original scores of national culture. These results were not reported.

[81] Hofstede (1991) measured power distance based on three items: the extent to which subordinates are afraid of expressing disagreement with their managers; subordinates' perception of their superior's decision-making

by India, Malaysia and China.[82] Chinese society is regarded as collectivist. In regard to masculinity, UK society was regarded as being the most masculine.[83] The higher the masculinity level, the more society treats issues such as recognition, achievement, advancement and challenge as being more important than cooperation and relationship with superiors. Finally, society in India was ranked the most highly in terms of uncertainty avoidance, indicating that the society is rule-oriented, and prefers the existence of rules in making decision. [84]

Hofstede's cultural measurement has been criticised for its methodological and theoretical flaws (McSweeney, 2002; Baskerville, 2003). As indicated in Chapter 2, Baskerville (2003) argues that Hofstede's cultural dimensions were not supported by anthropologists and sociologists. In addition, she contends that culture is an attribute that cannot be measured by numeric indices and matrices because each of the constructs are interrelated and hardly distinguishable from each other. For example, the high correlation between masculinity and uncertainty avoidance reported in Hofstede's study show a methodological flaw, according to Baskerville. Hofstede defends his cultural framework and

(which was described as either autocratic or paternalistic); and subordinate's preference for their boss's decision-making (ranging from autocratic to majority).

[82] Hofstede measured individualism based on three items, which relate to work goals and challenges. For collectivism, three questions relating to training and use of skills were asked. Hofstede discusses individualism and collectivism in several contexts: family structure, work place and expression of ideas. For instance, in individualistic cultures, speaking one's mind is a virtue. This is contradicted in the collectivist society, which considers that the direct confrontation of another person is rude or undesirable. In the work place, management is considered as the management of groups in a collectivist culture. In contrast, management is treated as being management of individuals in an individualistic culture. Finally, a collectivist society accepts the extended family relationship to a higher degree than does an individualistic society.

[83] Hofstede measured masculinity based on four traits: earnings, recognition, advancement and challenge. Subjects score high in masculinity if they perceive all these traits as important. If they perceive traits such as relationship with superiors, cooperation, living area and employment security as important, they score highly in femininity. Interestingly, Hofstede contended that in future, society would become more feminine due to global concerns about human rights, society and the environment (see Hofstede, 1991, p. 107). This aspect relates to CSR context. Hofstede's masculinity versus femininity score ranges from 5 to 95 (the most feminine to the most masculine). Accordingly, the score range of 50 to 66 in this research is biased towards masculinity. For this reason, all the scores for national culture in this research were based on ranking.

[84] Uncertainty avoidance refers to the extent to which society feels uncomfortable with ambiguity in decision making. The variable was measured using 3 items: job stress, rule orientation, and long term career. Hofstede describes that in a work place, society with high level of uncertainty avoidance regards rules as sacred, and not to be broken.

directly answers these criticisms in several papers (see Hofstede, 2002; Hofstede, 2003; Hofstede, 2006). In fact, recent studies on cultural measurement have demonstrated that Hofstede's framework is still robust; thus, the legacy of his instrument has been empirically supported. For example, House et al. (2004) developed an alternative to Hofstede's cultural measurement, which is refrered to as GLOBE cultural dimensions. GLOBE's nine-country-level dimensions include: future orientation, egalitarianism, assertiveness, institutional collectivism, in-group collectivism, power distance, uncertainty avoidance, performance orientation and human orientation (House et al., 2004; Waldman et al., 2006).[85] In testing the robustness of these measurements, Tang and Koveos (2008) reported that GLOBE's cultural dimensions change in relation to a country's economic development, whereas Hofstede's cultural taxonomies are more stable. Furthermore, Kim and Gray (2009) documented that the cultural frameworks developed by Hofstede (1980, 1991); Schwartz (1994, 2003) and GLOBE (2004) are consistently associated with corporate ownership structure.[86] This indicates that, despite the fact that it is considered to be outdated by some, Hofstede's cultural framework is relevant and robust, and many researchers still use Hofstede's instrument (see Waldman et al., 2006; Smith, 2006; Tang and Koveos, 2008; Jansen et al., 2009; Kim and Gray, 2009). Given this literature, this thesis did not test the alternative measurement for Hofstede's cultural dimensions in the sensitivity analysis; instead, the historical and institutional backgrounds of these four countries add to the discussion of the findings.

[85] Hofstede (2006), in his critiques over GLOBE cultural dimensions, claims that GLOBE cultural framework provides little contribution to the literature because GLOBE is just a replication of his research, according to Hofstede.

[86] In the study, Kim and Gray (2009) surveyed 228 foreign manufacturing firms in the Republic of Korea. They found that culture correlates positively with the ownership structure. 'Specifically, the greater the CD [cultural distance] the more likely it is that foreign MNEs [multinational enterprises] in Korea will select wholly-owned subsidiaries over joint ventures' (Kim and Gray, 2009, p. 71). The results are robust in Hofstede, Schwartz and GLOBE cultural frameworks.

5.5.4 Control Variables

This research incorporates five control variables in its regression analysis: Big-4 auditor, CSR assurance statement, listing status, proportion of subsidiaries listed overseas, and market capitalization (proxy for size). These variables were chosen because previous literature provides significant support on the impact of these variables on CSR reporting. Details on research on these variables have been discussed in Chapter 2.

5.5.4.1 Big-4 Auditor

As discussed in Chapter 2, the presence of Big-4 audit firms enhances the levels of voluntary disclosure in corporate annual reporting (e.g. Ahmed and Courtis, 1999; Wang et al., 2008a). Researchers incorporated Big-4 firms as one of the control variables in the disclosure models of annual reports (see Gul and Leung, 2004; Haniffa and Cooke, 2005; Huafang and Jianguo, 2007; Amran and Devi, 2008; Chau and Gray, 2010) and those of corporate websites reporting (see Xiao et al., 2004; Kelton and Yang, 2008). Findings on the effect of Big-4 firms on voluntary disclosures are mixed. For example, in Malaysia, Haniffa and Cooke (2005) and Amran and Devi (2008) did not report any significant influence of Big-4 audit firms on CSR disclosures. However, in China, Wang et al. (2008a) found that the levels of voluntary disclosures in annual reports increase with Big-4 audit firms. Thus, it can be argued that there is a cultural influence on the auditor choice (see Hope et al., 2008). Hope et al. (2008) reported that firms operating in a secretive society are less likely to hire Big-4 audit firms. Moreover, large corporations (measured by market capitalizations) are likely to hire Big-4 firms.

Accordingly, this thesis controlled for the effects of Big-4 audit firms. The variable was measured based on a binary score of ‘1’ if the company was audited by auditors of the

Big-4 firm, '0', if otherwise. This measurement is consistent with previous studies (see for example Haniffa and Cooke, 2005; Huafang and Jianguo, 2007; Hope et al., 2008).[87]

5.5.4.2 CSR Assurance Statement

In the regression analysis, this thesis controlled for the effect of CSR assurance on the CSR reporting because the CSR assurance statement has been found to be capable of improving the credibility of the CSR report (see Simnett et al., 2009).[88] In addition, interview findings of Hammond and Miles (2004) show that 'the majority of executives suggested that third party verification are one of the characteristics of high quality CSR disclosures' (p. 75). Thus, CSR assurance is likely to influence CSR reporting. For example, if the assurance is obtained to reflect discharge of accountability, the association between CSR disclosure and the assurance statement should be positive. If the company treats CSR assurance as its legitimation strategy (e.g. the assurance is acquired to imitate other companies in the same industry), a linear and direct positive relationship may not be found. However, the non-linear relationship is avoided by the control of size and industry in the sampling process.

With respect to cultural factors, Van der Laan Smith et al., 2005 argue that companies domiciled in stakeholder-oriented countries are more likely to demand assurance concerning CSR reports than companies located in shareholder-oriented countries. This means, country differences also explain the choice of having CSR information assured. Thus, the inclusion of CSR assurance statement in the CSR reporting model seems pertinent because this thesis obtains data across countries and culture is a subject of analysis. CSR assurance was

[87] The Big-4 audit firms are: Pricewaterhouse Coopers (PwC), Deloitte Touche and Tohmatsu (DTT), Earnst and Young (E&Y), and KPMG. The names of these firms vary across countries. For example, in India, Deloitte Haskins & Sells is a member of DTT, BSR & Co. is a member of KPMG; S.R.Batliboi & Co is a member of E&Y. In Malaysia, Deloitte Kassim Chan is a member of DTT. Finally, in China, PwC Zhong Tian, KPMG Hua Zen, E&Y Hua Min and DTT Hua Yong were all considered as Big-4 audit firms.

[88] This issue is discussed in detail in Chapter 2

measured by a binary score of '1' if the company produced the assurance statement and otherwise, '0'. The endogenous effect of this variable was tested in the sensitivity analysis.

5.5.4.3 Business Complexity and Globalization

A number of researchers have argued that cultural influence on behaviour is dysfunctional in this modern, global world due to the internationalization and globalization of financial markets (see Haniffa and Cooke, 2002; Ghauri and Gronhaug, 2005).[89] The literature pertaining to voluntary disclosure documented that factors such as globalization, listing status and foreign business affiliation, enhance voluntary disclosure practice (see Chapple and Moon, 2005; Webb et al., 2008; Cheung et al., 2010). For example, Cheung et al. (2010) reported that Chinese companies that are dually listed overseas are more transparent than those listed solely in China. Such a finding is important in the proposition on culture of this thesis because from a cultural perspective, Chinese corporations are generally less transparent. Webb et al. (2008) measure globalization based on three indicators: foreign sales over total sales; number of foreign subsidiaries and number of foreign stock exchanges that a firm is listed on.[90] They reported that globalization increases the comprehensiveness of the voluntary disclosures of 643 companies across 30 countries. Aerts and Cormier (2009) also controlled for the effect of listing status in their examination on media legitimacy and corporate environmental communication of companies in Canada and the United States. They documented a strong, significant influence of listing status on the environmental disclosures.

[89] Haniffa and Cooke (2002) initially argued that culture and accounting are correlated. However, their data could not support the argument. In justifying the results, they argue that cultural influence on behaviour may not be significant because of the effects of internationalization.
[90] These variables loaded onto one factor in the factor analysis.

Accordingly, this thesis tested two variables that relate to this issue: listing status and proportion of subsidiaries overseas.[91] Listing status was measured based on the binary scale of '1' (if the company is listed overseas), otherwise '0'. Whereas the ratio of subsidiaries operating overseas in relation to the total number of subsidiaries represents the proportion of overseas subsidiaries. These measures are consistent with Webb et al. (2008), and the variables are hand-collected from the annual reports.

5.5.4.4 Size

The literature provides consensus that large companies are likely to provide voluntary disclosure due to their resources and reputation (see Watt and Zimmerman, 1986). The similar situation is true in the case of CSR reporting (see Patten, 1992; Hackston and Milne, 1996; Kolk 2003; KPMG 2005; Owen, 2007). For example, Al-Tuwaijri et al. (2004) controlled for the effect of firm size in the examination of a simultaneous relationship between environmental disclosures, environmental performance and economic performance. Their results suggest that the largest and most profitable public firms have significant environmental exposure (Al-Tuwaijri et al., 2004, p. 460).[92] Aerts and Cormier (2009) controlled for firm size effect using two variables: environmental legitimacy and environmental news exposure. Aerts and Cormier (2009) argued that firm size is an antecedent of legitimacy because the size affects firm's visibility and thus increases public scrutiny. In regard to the environmental exposure[93], Aerts and Cormier (2009) contend that the extent of media coverage is positively associated with firm size. Given the literature, this thesis controlled for size effect in the sample selection process. The procedure has

[91] In the sensitivity analysis, I also examined the influence of foreign shareholding because this variable, arguably, intervenes in the direct relationship between culture and CSR reporting. I used two proxies for this variable: foreign shares, as measured by the existence of American Depository Receipt/ Global Depository Receipt, and the proportion of foreign shareholdings to the total of shares.

[92] Environmental exposure was referred to as toxic waste generated per total revenues.

[93] Environmental exposure was referred to as firm's exposure to environmental news and its environmental riskiness (see Aerts and Cormier, 2009, p. 11)

been discussed in section 5.1 of this Chapter. However, as stated in Table 5.5, total market capitalization varies between countries, suggesting that firm sizes differ across countries. For this reason, firm size (MCAP) has been included in the CSR reporting model.

5.5.5 Descriptive Statistics for Independent Variables

Table 5.5 presents the descriptive results for all of the independent and control variables used in this study. In regard to the independent variables, the mean for board composition (BC) is 0.48, suggesting that in average, almost half of the total board members of each company are independent directors. All companies in the UK are privately owned companies; thus, the mean of 0.167 for government shares (GOVT) only represents variations for companies in China, Malaysia and India. The descriptive statistics for individualism (IND), power distance (PD) and masculinity (MAS) indicated that country choice is representative of various cultural traits. However, data for uncertainty avoidance (UA) skewed to the right. This suggests that the companies are operating in societies with high levels of uncertainty avoidance. The mean of 0.20 for ASS suggests that the majority of companies did not provide CSR assurance statement. The range of USD686,190 for market capitalization (MCAP) indicated that large corporations operating in environmentally and socially sensitive industries across China, India, Malaysia and the UK are relatively different in size. The mean for the Big 4 Auditor (BIG4) is 0.744, indicating that 74.4% of the annual reports in samples are audited by Big4 firms. In particular, annual reports of all 50 companies in the UK were audited by Big4 audit firms.

Table 5.6 presents correlations among the independent variables.[94] As mentioned elsewhere in this thesis, country differences explain instances such as choice of auditor (e.g.

[94]This test aims to check for multicollinearity problem in formulating the CSR reporting model. The descriptive statistics for the dependent variables are presented in Chapter 6.

Hope et al., 2008); assurance practices (e.g. Simnett et al., 2009) and governance structure (e.g. Van Der Laan Smith et al., 2005). Thus, correlation tests include country (COUN) as an additional variable. The table shows that the existence of CSR committees on boards, CSR assurance, board composition and proportion of subsidiaries overseas are associated significantly with country and national culture. These relationships indicate that choices of governance structure, assurance practices, and Big-4 audit firms are different from one country to another; a result which is consistent with previous studies (see Van Der Laan Smith et al., 2005).

Overall, there is no serious multicollinearity found amongst the independent variables (no correlation of greater than 0.7 were found, except for national culture variables). Initial test reveal multicollinearity amongst the four national culture variables.[95] For the purpose of the regression analysis, power distance and uncertainty avoidance were excluded from the final analysis.[96] However, in the sensitivity analysis, each of the cultural attributes were tested separately. In addition, consistent with Hofstede (1991) on his treatment of correlation effects, China, India and Malaysia were grouped together in the sensitivity analysis. The table also shows that individualism (IND) and country (COUN) are correlated (co-efficient value of -0.791). For this reason, COUN was not included in the regression model and the regression tests for each country were conducted in the sensitivity analyses.

[95] According to Gujarati (1995), collinearity can be a problem (in the regression test) if the correlation coefficient exceeds 0.8 or 0.9. Power distance is highly correlated with individualism; whereas masculinity and uncertainty avoidance are also highly correlated. The results are unsurprising because Hofstede also reported this correlation and explained why the correlation exists. For example, a country's economic development was found to moderate the correlation between power distance and individualism. Gray (1988) formulated four additional cultural variables based on these correlation effects. Gray's cultural model relates to accounting professionalism.

[96] In the initial regression model, multicollinearity was also tested using variation inflation factor (VIF) computed by SPSS. Due to the multicollinearity, power distance and uncertainty avoidance were discarded from the regression models. The cultural variables are then tested separately in the sensitivity analyses.

Table 5.5: Descriptive Statistics of Independent Variables

	BC	COM	GOVT	IND	PD	UA	MAS	ASS	LIST	SUB	MCAP	BIG4
N	203	203	203	203	203	203	203	203	203	203	203	203
Mean	0.48	0.27	0.17	24.28	17.35	46.98	18.55	0.20	0.15	30.67	14793.36	0.74
Med.	0.5	0	0	21	10.5	46	20.5	0	0	20.83	4348.90	1
Mode	0.5	0	0	21	10.5	45	20.5	0	0	0	104.03	1
Std. D.	0.14	0.45	0.37	13.77	15.60	1.70	5.78	0.40	0.36	32.49	52532.45	0.44
Variance	0.02	0.20	0.14	189.59	243.27	2.89	33.45	0.16	0.13	1055.44	2759657977	0.19
Skewness	0.20	1.04	1.79	-0.57	0.80	0.37	-0.51	1.50	1.95	0.74	10.86	-1.13
Kurtosis	-0.36	-0.93	1.23	-1.27	-0.86	-1.29	-0.97	0.24	1.80	-0.86	134.60	-0.74
Range	0.71	1	1	34	42	4.5	16	1	1	100	686190.57	1
Min	0.13	0	0	3	1	45	9.5	0	0	0	104.03	0
Max	0.83	1	1	37	43	49.5	25.5	1	1	100	686294.60	1

BC is the proportion of independent directors to the total number of directors on Board, COM is the presence of CSR board committees; GOVT is if the company is owned by the government, 0 otherwise; IND is the individualism score as obtained from Hofstede (2001);PD is power distance score as obtained from Hoftstede; UA is uncertainty avoidance score as obtained from Hofstede; MAS is masculinity score as obtained from Hofstede; ASS is the presence of CSR assurance statement; LIST is if the firm is dually listed overseas; SUB is the number of subsidiaries operating overseas in relation to the total number of subsidiaries; and MCAP is market capitalization indicated in US dollars; BIG4 is if the company annual report is audited by a BIG4 firm.

Table 5.6: Correlations between Independent Variables

	BC	COM	GOVT	IND	PD	UA	MAS	BIG4	ASS	LIST	SUB	COUN	MCAP
BC	1	.242**	-.247**	-.483**	.421**	-0.076	-.398**	.146*	.201**	0.012	.328**	.441**	.097
COM	.260**	1	-.095	-.501**	.506**	0.055	-.488**	.180*	.439**	.234**	.242**	.394**	.364**
GOVT	-.246**	-.095	1	.208**	-.207**	-.005	.183**	-.220**	-.094	-.007	-.156*	-.260**	.209**
IND	-.508**	-.443**	.203**	1	-.855**	.397**	.397**	0.00	-.446**	0.02	-.407**	-.791**	-.207**
PD	.302**	.417**	-.135	-.397**	1	.600**	-1.000**	.213**	.405**	.269**	.322**	.188**	.586**
UA	-0.075	0.095	-.042	.169*	.365**	1	-.600**	.417**	0.069	.257**	0.041	-.188**	.303**
MAS	-.302**	-.417**	.135	.834**	-.993**	-.398**	1	-.213**	-.405**	-.269**	-.322**	-.188**	-.586**
BIG4	0.136	.180*	-.220**	-0.065	.263**	.344**	-.217**	1	0.127	0.124	.209**	.304**	.034
ASS	.210**	.439**	-.094	-.501**	.493**	0.033	-.477**	0.127	1	.162*	.252**	.381**	.373**
LIST	0.036	.234**	-.007	-0.078	.210**	.265**	-.225**	0.124	.162*	1	.163*	-0.06	.294**
SUB	.351**	.263**	-.170*	-.518**	.463**	-0.056	-.444**	.160*	.290**	.186**	1	.385**	.283**
COUN	.420**	.395**	-.260**	-.699**	.520**	-.323**	-.421**	.303**	.382**	-0.05	.417**	1	-.013
MCAP	-.009	.233**	.168*	-.032	.114	.165*	-.127	.075	.086	.281**	.114	-.061	1

** Correlation is significant at the 0.01 level (2-tailed). *Correlation is significant at the 0.05 level (2-tailed). Spearman correlations are presented above the diagonal. Pearson correlations are presented below the diagonal. BC is the proportion of independent directors to the total number of directors on Board, COM is the presence of CSR board committees; GOVT is if the company is owned by the government; IND is the individualism score as obtained from Hofstede (2001);PD is power distance score as obtained from Hoftstede; UA is uncertainty avoidance score as obtained from Hofstede; MAS is masculinity score as obtained from Hofstede; BIG4 is if the company annual report is audited by a BIG4 firm; ASS is the presence of CSR assurance statement; LIST is if the firm is dually listed overseas; SUB is the proportion of subsidiaries operating overseas in relation to the total number of subsidiaries; COUN is country: 1 for China, 2 for India, 3 for India, 4 for the UK; and MCAP is market capitalization indicated in US dollars.

5.5.6 Model

H_1 was tested using a t-test comparing CSR disclosure between each pair of countries. H_2, H_{3a}, and H_{4a} were tested in the regression analysis based on the following models[97]:

$$CSR = \beta_o + \beta_1 BC + \beta_2 COM + \beta_3 GOVT + \beta_4 IND + B_5 MAS + \beta_6 BIG4 + \beta_7 ASS + \beta_8 LIST + \beta_9 SUB + \beta_{10} MCAP + \varepsilon \quad (1)$$

Where:

CSR	CSR disclosure for company *j*. CSR is presented in 6 forms: QUALITYAR (quality of CSR information in annual report); QUALITYWEB (quality of CSR information in CSR stand-alone reports and corporate websites); QUALITYALL (quality of CSR information across all reports); QUANTITYAR (quantity of CSR information in annual report); QUANTITYWEB (quantity of CSR information in CSR stand-alone reports and corporate website) and QUANTITYALL (quantity of CSR information across all reports)
BC	Board composition (proportion of independent directors in relation to total number of directors) for company *j*
COM	the presence of CSR committees for company *j*; '1' if yes; '0' otherwise
GOVT	the government shares are more than 50 per cent of the total outstanding shares; '1' if yes; '0' otherwise
IND	Rank of individualism by Hofstede (2001)
MAS	Rank of masculinity by Hofstede (2001)

[97] The regression models for H_{3b} and H_{4b} are presented in Chapter 6.

BIG4	Company *j* is audited by Big4 auditing firm; '1' if yes; '0' otherwise
ASS	Company *j* prepares a CSR assurance statement; '1' if yes; '0' otherwise
LIST	Company *j* is dual-listed in overseas; '1' if yes; '0' otherwise
SUB	Proportion of the subsidiaries overseas in relation to total number of subsidiaries for company *j*
MCAP	Market capitalization in USD for company *j*

5.5.7 Sensitivity Analyses

This thesis employed several sensitivity analyses to test the robustness of the research findings. Firstly, in relation to the descriptive statistic, CSR reporting quality is presented using dichotomous score, categories of quality and quality per sentence. Results are also presented by country and by sector. Secondly, in relation to the multivariate tests, the analyses have been extended by conducting regression tests for each country. Sensitivity tests using variables such as foreign ownership and institutional ownership have been conducted in the tests for robustness. Issues of endogeneity are addressed in the analyses and discussion. This thesis also provides alternative models for interaction variables, in which, the interaction variables have been replaced by regression tests on specific sample groups. Finally, this thesis employs various sensitivity tests to control issues relating to industry affiliation, economic development, national culture, corporate governance and CSR assurance statement.

5.6 Conclusion

In summary, this study used content analysis to examine the CSR reporting practices of 203 large corporations operating in socially and environmentally sensitive industries across China, India, Malaysia and the UK. CSR disclosure was obtained from the various means of

corporate reporting, measured by its quality and quantity, assisted by a 65-item-index adapted from GRI. Finally, hypotheses were tested using regression analysis based on clearly specified models. Several sensitivity analyses were conducted to test the robustness of the results. The results are reported in Chapter 6.

"Strength lies in differences, not in similarities"
-Stephen R. Covey, 'The Seven Habits of Highly Effective People'-

6 Results

6.1 Introduction

This chapter presents the research findings. Findings of this thesis are presented in three main analyses: descriptive, univariate and multivariate results. Sensitivity tests follow each main analysis. Specifically, the second section discusses the descriptive statistics of CSR quality and quantity. The results are presented by reports, by country, by industry and by category of disclosures. The second section also presents the descriptive statistics of CSR quality by a dichotomous scale, by categories of quality and by quality per sentence. These procedures ensure that the first research objective has been met (i.e. to examine nature, quality and extent of CSR reporting). The third section presents univariate tests in which the mean quality and quantity of CSR disclosures of a country are compared against the mean quality and quantity of another country. The fourth section discusses the regression analyses. In the main multivariate regression model, CSR quality and quantity are regressed on board composition (BC), the existence of CSR board committees (COM), government affiliation (GOVT), individualism (IND), masculinity (MAS), Big-4 audit firms (BIG4), CSR assurance statements (ASS), foreign listing (LIST), foreign subsidiaries (SUB), and company size (MCAP). In the fifth section, the regression analyses are repeated for several sensitivity analyses and robustness. The final section presents a summary of the results.

6.2 Descriptive Statistics

6.2.1 Quantity of CSR Disclosure

Table 6.1 presents the quantity of CSR disclosures by category of disclosure, country, and report. Panel A shows number of CSR sentences across all reports. In total, there were

46,635 CSR sentences disclosed in the annual report, stand-alone report and corporate websites of companies operating in the socially and environmentally sensitive industries of China, India, Malaysia and in the United Kingdom. By category, Table 6.1 (Panel A) shows that disclosure pertained substantially to the environment (27%) and labour (23.8 %). Disclosures on society and the organizational profiles and strategies were considerably similar (18% and 17.3% respectively). The least amount of disclosure concerned human rights issues (1.7%). By country, companies in the UK provided the highest amount of CSR disclosure (23,969 sentences), followed by India (10,714 sentences), Malaysia (7,811 sentences) and China (4,141 sentences). By report, Panel B and C show that the disclosure pattern in annual reports is substantially different from that on websites. Overall, the number of CSR sentences contained in corporate websites is greater than that in annual reports (29,365 and 17,270 respectively). In the annual reports, the highest amount of disclosure concerned labour (26.4%); whereas, in corporate websites, the highest amount of sentences related to environment (32%). Both in annual reports and on corporate websites, the least amount of disclosure pertains to human rights (1.2% and 2% respectively). In annual reports, disclosure on organizational profiles and strategies, environment, labour and social issues are relatively the same. In contrast, the sentences on corporate websites could be ranked, with the most sentences relating to environmental matters, followed by labour and then society. Table 6.1 Panel B shows that total numbers of sentences disclosed in the annual reports of companies in Malaysia were 546 sentences more than in India (4,527 as opposed to 3,981). Companies in China consistently provided the least number of CSR sentence (quantity) both in annual reports and on corporate websites; and UK corporations disclosed the highest quantity of CSR sentences in all reports.

Table 6.2 presents the descriptive statistics of CSR disclosure quantity. Panel A shows that on average, each company provided 230 CSR sentences across all reports. By report, on

average, each company provided 132 more sentences on corporate websites than in the annual report (with a mean of 217 as opposed to 85). High ranges and standard deviation of disclosure indicate that data was widely dispersed; the CSR disclosure for a company with the least amount of disclosure was considerably different from that with the largest amount of CSR disclosure. The pattern of CSR disclosures by country in Table 6.2 Panel B is consistent with the pattern in Table 6.1 (Panel B); it is shown that mean CSR quantity is the highest in the UK, then in India, Malaysia and China. On average, companies in every country provided disclosures in the corporate websites more than those in annual reports. Companies in China had the lowest mean quantity across all reports and companies in the UK provided the highest mean quantity. The mean CSR quantity stated in the annual report (QUANTITYAR) for companies in Malaysia was slightly higher than that for India (88.76 and 76.56 respectively).

Panel C presents the descriptive statistics of CSR quantity by category of information in annual reports, corporate websites, and across all reports. In annual reports, the mean quantity is highest for labour, each company disclosing an average of 22 sentences relating to its employees and their related welfare. On corporate websites, the amount of disclosure on labour was the second highest, after disclosure on environment. Across all reports, the highest mean of CSR quantity concerned environmental issues (companies disclosed 62 sentences on average), followed by labour issues (55 sentences). The mean disclosure for society and organizational profiles and strategies were relatively the same (41 and 40 sentences respectively). The smallest amount of disclosure was on human rights, with an average of 4 sentences per company.

Table 6.1: CSR Disclosures

Panel A: Quantity of CSR sentences across All Reports										
Categories	**China**	**Percentage**	**India**	**Percentage**	**Malaysia**	**Percentage**	**UK**	**Percentage**	**All**	**Percentage**
Environment	971	23.4	2,557	23.9	2,019	25.8	7,064	29.5	12,611	27.0
Society	629	15.2	2,651	24.7	1,559	20.0	3,544	14.8	8,383	18.0
Labour	961	23.2	2,086	19.5	1,574	20.2	6,462	27.0	11,083	23.8
Human Rights	14	0.3	231	2.2	60	0.8	493	2.1	798	1.7
Product Responsibility	350	8.5	517	4.8	493	6.3	1,673	7.0	3,033	6.5
Economics	354	8.5	759	7.1	838	10.7	710	3.0	2,661	5.7
Profiles and Strategies	862	20.8	1,913	17.9	1,268	16.2	4,023	16.8	8,066	17.3
Total	**4,141**	**100.0**	**10,714**	**100.0**	**7,811**	**100.0**	**23,969**	**100.0**	**46,635**	**100.0**
Panel B: Quantity of CSR sentences in Annual Report										
Environment	236	15.7	634	15.9	681	15.0	1,656	22.8	3,207	18.6
Society	118	7.8	1,036	26.0	871	19.2	1,033	14.2	3,058	17.7
Labour	331	22.0	1,006	25.3	1,004	22.2	2,218	30.6	4,559	26.4
Human Rights	14	0.9	7	0.2	3	0.1	182	2.5	206	1.2
Product Responsibility	58	3.8	128	3.2	373	8.2	225	3.1	784	4.5
Economics	292	19.4	450	11.3	807	17.8	380	5.2	1,929	11.2
Profiles and Strategies	458	30.4	720	18.1	788	17.4	1,561	21.5	3,527	20.4
Total	**1,507**	**100.0**	**3,981**	**100.0**	**4,527**	**100.0**	**7,255**	**100.0**	**17,270**	**100.0**
Panel C: Quantity of CSR sentences in Stand-alone reports and websites										
Environment	735	27.9	1,923	28.6	1,338	40.7	5,408	32.4	9,404	32.0
Society	511	19.4	1,615	24.0	688	20.9	2,511	15.0	5,325	18.1
Labour	630	23.9	1,080	16.0	570	17.4	4,244	25.4	6,524	22.2
Human Rights	0	0	224	3.3	57	1.7	311	1.9	592	2.0
Product Responsibility	292	11.1	389	5.8	120	3.7	1,448	8.7	2,249	7.7
Economics	62	2.4	309	4.6	31	0.9	330	2.0	732	2.5
Profiles and Strategies	404	15.3	1,193	17.7	480	14.6	2,462	14.7	4,539	15.5
Total	**2,634**	**100.0**	**6,733**	**100.0**	**3,284**	**100.0**	**16,714**	**100.0**	**29,365**	**100.0**

Table 6.2: Panel A and Panel B: Descriptive Statistics for the Quantity of CSR Reporting by Report and Country

Panel A: By report		QUANTITYAR	QUANTITYWEB	QUANTITYALL
All	N	203	135	203
	Mean	85.07	217.46	229.69
	Median	68	112	131
	Std. Deviation	82.09	238.33	255.07
	Range	559	1152	1261
	Minimum	3	2	3
	Maximum	562	1154	1264
Panel B: By Country				
China	N	50	24	50
	Mean	30.14	109.42	82.66
	Median	17	31	33.5
	Std. Deviation	34.24	140.12	113.09
	Range	132	465	469
	Minimum	3	2	3
	Maximum	135	467	472
India	N	52	32	52
	Mean	76.56	210.41	206.04
	Median	61.5	98	109
	Std. Deviation	66.42	228.30	222.95
	Range	318	876	911
	Minimum	9	5	11
	Maximum	327	881	922
Malaysia	N	51	29	51
	Mean	88.76	113.24	153.16
	Median	71	39	88
	Std. Deviation	81.60	190.53	180.49
	Range	369	852	880
	Minimum	4	5	4
	Maximum	373	857	884
UK	N	50	50	50
	Mean	145.10	334.28	479.38
	Median	126	301.5	431.5
	Std. Deviation	91.52	257.48	279.41
	Range	550	1113	1167
	Minimum	12	41	97
	Maximum	562	1154	1264

QUANTITYAR is the CSR disclosure quantity in annual report; QUANTITYWEB is the CSR disclosure quantity for CSR stand-alone report and CSR section on corporate website; QUANTITYALL is the total score of quantity for annual report, CSR stand-alone report and corporate website

Table 6.2: Panel C: Descriptive Statistics for the Quantity of CSR Reporting by Category of Disclosure

Quantity of CSR sentences in Annual Report (QUANTITYAR)							
Categories	**Environment**	**Society**	**Labour**	**Human Rights**	**Product Responsibility**	**Economics**	**Profiles and Strategies**
Mean	15.80	15.06	22.46	1.01	3.86	9.50	17.37
Median	6.00	9.00	15.00	.00	.00	6.00	12.00
Std. Deviation	22.54	21.97	25.20	7.51	9.53	11.72	20.92
Variance	508.27	482.58	635.16	56.45	90.75	137.37	437.52
Range	138.00	212.00	128.00	96.00	95.00	74.00	177.00
Minimum	.00	.00	.00	.00	.00	.00	.00
Maximum	138.00	212.00	128.00	96.00	95.00	74.00	177.00
Quantity of CSR sentences in Stand-alone reports and websites (QUANTITYWEB)							
Mean	46.32	26.23	32.12	2.92	11.08	3.61	22.35
Median	6.00	8.00	3.00	.00	.00	.00	6.00
Std. Deviation	83.89	40.24	54.98	9.20	27.56	9.66	36.28
Variance	7,038.34	1,619.17	3,023.31	84.70	759.38	93.27	1,316.46
Range	625.00	240.00	321.00	78.00	173.00	77.00	218.00
Minimum	.00	.00	.00	.00	.00	.00	.00
Maximum	625.00	240.00	321.00	78.00	173.00	77.00	218.00
Quantity of CSR sentences across All Reports (QUANTITYALL)							
Mean	62.11	41.29	54.58	3.93	14.94	13.11	39.72
Median	23.00	24.00	27.00	.00	2.00	10.00	26.00
Std. Deviation	92.06	50.02	67.75	11.89	30.07	14.64	44.70
Variance	8,475.44	2,501.92	4,590.51	141.36	904.08	214.23	1,998.16
Range	625.00	270.00	367.00	96.00	184.00	92.00	247.00
Minimum	.00	.00	.00	.00	.00	.00	.00
Maximum	625.00	270.00	367.00	96.00	184.00	92.00	247.00

6.2.2 Quality of CSR Disclosure

The quality of CSR disclosure by industry, by report and by country, is presented in Table 6.3.[98] Panel A shows that companies operating in utility industries disclosed the highest quality of CSR information in their annual reports (mean of 22.05). The least quality of disclosure was for companies operating in the automobile industry (mean of 11.12). Companies operating in the pharmaceutical, biotechnology and drug industries provided the highest quality of CSR information in all reports. By report, Panel B shows that the quality of CSR information in stand-alone reports and websites was higher than that in annual reports (mean of 27.70, as opposed to 15.02). In Panel C, the total mean for each country also shows significant differences in CSR quality across countries. Companies in the UK provided CSR disclosure of a quality which was almost double that of the average quality (50.25 as opposed to 26.54). The quality of CSR disclosure for companies in India was close to the average (24.66); whereas Chinese corporations provided the poorest quality of CSR disclosure. Overall, the results suggest that the setting of CSR reporting is unique to each country.

Panel D shows the descriptive statistics of CSR quality by category of information. In the annual report, the highest quality of disclosure pertained to economic information (mean of 45.73). On corporate websites, the quality of economic disclosure was the third highest after the organizational profiles and strategies and environmental disclosure. Across all reports, disclosure on economic issues remained the highest in quality (mean of 54.23). The disclosure quality on profiles and strategies of the companies was relatively high (mean of 50.4); and the lowest quality was human rights issues (mean of 13.51).

[98] I controlled for industry effect during the sample selection process. A correlation test between industry and CSR reporting was performed. The results (which are not tabulated) show that industry affiliation does not influence the quantity and quality of CSR reporting. Descriptive statistics of CSR reporting quality by industry are presented in this section.

Table 6.3: Panel A: Descriptive Statistics for the Quality of CSR Reporting by Industry

Panel A: By Industry						
QUALITYAR	N	Mean	Median	Std. Deviation	Minimum	Maximum
Energy Oil and Gas	26	14.21	14.41	9.02	.42	30.93
Materials	49	15.39	12.71	11.34	1.27	43.22
Manufacturing	46	13.07	9.32	12.37	.85	52.12
Transportation	23	11.44	10.17	7.79	1.27	30.93
Automobiles	12	11.12	9.96	9.94	.85	33.05
Alcohol, Tobacco, Casino and Gambling	13	19.26	13.98	15.47	3.39	59.32
Pharmaceutical, Biotech. and Drug	11	15.49	16.95	10.72	3.81	32.20
Utilities	23	22.05	27.12	11.74	.85	37.29
QUALITYWEB						
Energy Oil and Gas	18	33.69	43.22	23.23	.42	76.27
Materials	36	27.24	15.04	25.52	.85	78.39
Manufacturing	26	24.04	13.98	24.36	1.27	84.32
Transportation	10	29.45	32.42	20.12	2.54	57.20
Automobiles	7	18.34	5.51	24.84	.85	61.02
Alcohol, Tobacco, Casino and Gambling	12	30.05	30.30	21.92	1.69	63.98
Pharmaceutical, Biotech. and Drug	7	45.88	44.92	13.30	23.73	63.56
Utilities	19	22.23	16.95	19.28	1.27	56.78
QUALITYALL						
Energy Oil and Gas	26	30.07	24.15	22.88	.42	79.24
Materials	49	28.21	19.07	23.31	1.69	79.24
Manufacturing	46	20.94	11.86	22.17	.85	84.75
Transportation	23	20.32	11.86	18.75	1.27	62.71
Automobiles	12	19.31	10.59	20.13	.85	61.86
Alcohol, Tobacco, Casino and Gambling	13	34.58	30.08	23.14	5.08	71.19
Pharmaceutical, Biotech. and Drug	11	35.36	51.27	25.96	3.81	65.25
Utilities	23	31.43	31.36	18.53	3.39	62.71

QUALITYAR is the CSR disclosure quality in annual report; QUALITYWEB is the CSR disclosure quality for CSR stand-alone report and CSR section on corporate website; QUALITYALL is the total score of quality for annual report, CSR stand-alone report and corporate website

Table 6.3: Panel B and Panel C: Descriptive Statistics for the Quality of CSR Reporting by Report and Country

Panel B: By report		QUALITYAR	QUALITYWEB	QUALITYALL
All	N	203	135	203
	Mean	15.02	27.70	26.54
	Median	11.86	23.73	19.07
	Std. Deviation	11.48	23.15	22.24
	Range	58.90	83.90	84.32
	Minimum	0.42	0.42	0.42
	Maximum	59.32	84.32	84.75
Panel C: By Country				
China	N	50	24	50
	Mean	9.13	17.74	15.62
	Median	7.63	8.26	9.11
	Std. Deviation	7.52	18.71	15.44
	Range	31.36	49.58	54.24
	Minimum	0.85	1.27	0.85
	Maximum	32.20	50.85	55.08
India	N	52	32	52
	Mean	13.00	26.89	24.66
	Median	11.02	9.75	15.47
	Std. Deviation	9.99	27.08	23.41
	Range	39.83	82.63	83.90
	Minimum	0.42	1.69	0.42
	Maximum	40.25	84.32	84.32
Malaysia		51	29	51
	Mean	11.43	13.15	15.93
	Median	8.90	5.51	9.75
	Std. Deviation	9.86	17.06	15.53
	Range	58.47	56.78	70.34
	Minimum	0.85	0.42	0.85
	Maximum	59.32	57.20	71.19
UK		50	50	50
	Mean	26.69	41.42	50.25
	Median	26.69	43.86	51.06
	Std. Deviation	9.57	17.44	12.92
	Range	47.03	80.51	58.05
	Minimum	5.08	3.39	26.69
	Maximum	52.12	83.90	84.75

QUALITYAR is the CSR disclosure quality in annual report; QUALITYWEB is the CSR disclosure quality for CSR stand-alone report and CSR section on corporate website; QUALITYALL is the total score of quality for annual report, CSR stand-alone report and corporate website

Table 6.3: Panel D: Descriptive Statistics for the Quality of CSR Reporting by Category of Disclosure

Quality of Annual Report (QUALITYAR)							
Categories	**Environment**	**Society**	**Labour**	**Human Rights**	**Product Responsibility**	**Economics**	**Profiles and Strategies**
Mean	12.79	16.56	18.24	3.10	9.57	45.73	34.98
Median	6.25	18.75	14.58	.00	.00	50.00	33.33
Std. Deviation	15.32	13.87	16.34	7.35	14.70	24.92	22.13
Variance	234.72	192.25	266.98	54.03	216.09	621.12	489.59
Range	72.92	68.75	75.00	54.17	92.86	100.00	100.00
Minimum	.00	.00	.00	.00	.00	.00	.00
Maximum	72.92	68.75	75.00	54.17	92.86	100.00	100.00
Quality of CSR Stand-alone reports and websites (QUALITYWEB)							
Mean	20.61	20.04	19.81	11.90	13.90	20.07	31.28
Median	3.13	12.50	4.17	.00	.00	.00	16.67
Std. Deviation	26.70	23.59	27.34	20.43	25.18	31.93	34.99
Variance	713.07	556.41	747.32	417.43	634.07	1019.34	1224.45
Range	97.92	100.00	100.00	91.67	128.57	100.00	100.00
Minimum	.00	.00	.00	.00	.00	.00	.00
Maximum	97.92	100.00	100.00	91.67	128.57	100.00	100.00
Quality of All Reports (QUALITYALL)							
Mean	26.23	27.06	29.93	13.51	21.11	54.23	50.45
Median	15.63	25.00	25.00	.00	14.29	50.00	50.00
Std. Deviation	27.11	23.43	26.52	21.57	26.29	27.17	29.27
Variance	735.02	548.98	703.23	465.41	691.20	738.02	856.85
Range	97.92	100.00	100.00	91.67	128.57	100.00	100.00
Minimum	.00	.00	.00	.00	.00	.00	.00
Maximum	97.92	100.00	100.00	91.67	128.57	100.00	100.00

6.2.3 Alternative Presentation

6.2.3.1 Dichotomous Score

To enhance the richness of the data, this thesis analysed CSR disclosure quality based on a dichotomous score (This method is also referred to as the binary scale method). This analysis examined two things: firstly, whether results are different from those in Table 6.3; secondly, whether the findings in this thesis are comparable with previous research using the dichotomous scores (see Williams, 1999; Haniffa and Cooke, 2005). The dichotomous score treats all CSR disclosures as being equally important. All scores of '1' and above were treated as'1' and all non-disclosures were treated as '0'. The analysis checked whether the 65-item in the disclosure is present or absent. The total score has been computed based on the following formula:[99]

$$\sum_{65}^{1} \frac{X}{65} * 100\%$$

Results are presented in Table 6.4 (Panel A). The table shows that the mean for CSR disclosure based on the dichotomous score is higher than on the original quality score in Table 6.3 (36.23 as opposed to 26.54). Panel B shows that the ranking of disclosure quality across the country is consistent; companies in the UK provided the highest quality of disclosure, followed by those in India, Malaysia and China. In addition, the mean of CSR quality for corporations in China, India and Malaysia were all below the average (22.18, 24.66 and 15.93 as opposed to 36.23). This result is consistent with Table 6.3. Overall results suggest that the descriptive data using the dichotomous scores and multiple quality score is similar, but their magnitudes are different. The extent to which differing magnitudes affect hypotheses testing is discussed in Chapter 7.

[99] X is total score of quality per report, based on the dichotomous measures of quality.

Table 6.4: Panel A and Panel B: Descriptive Statistics for the Quality of CSR Reporting Using the Dichotomous Scales

Panel A		QUALITYAR_DIC	QUALITYWEB_DIC	QUALITYALL_DIC
All	N	203	135	203
	Mean	22.29	24.56	36.23
	Median	20.00	10.77	30.77
	Std. Deviation	14.08	28.06	25.86
	Minimum	1.54	.00	1.54
	Maximum	75.38	98.46	98.46
Panel B				
China	N	50	50	50
	Mean	13.72	11.69	22.18
	Median	12.31	.00	13.85
	Std. Deviation	9.87	20.21	19.22
	Minimum	1.54	.00	1.54
	Maximum	43.08	66.15	67.69
India	N	52	52	52
	Mean	20.77	22.90	34.82
	Median	20.00	10.00	26.92
	Std. Deviation	13.56	31.02	28.25
	Minimum	1.54	.00	1.54
	Maximum	56.92	98.46	98.46
Malaysia	N	51	51	51
	Mean	19.85	12.37	26.18
	Median	18.46	3.08	21.54
	Std. Deviation	13.06	19.54	19.21
	Minimum	1.54	.00	1.54
	Maximum	75.38	75.38	87.69
UK	N	50	50	50
	Mean	34.92	51.60	62.00
	Median	35.38	53.08	62.31
	Std. Deviation	10.38	19.32	13.94
	Minimum	6.15	4.62	36.92
	Maximum	56.92	98.46	98.46

QUALITYAR_DIC is the CSR disclosure quality in annual report; QUALITYWEB_DIC is the CSR disclosure quality for CSR stand-alone report and CSR section on corporate website; QUALITYALL_DIC is the total score of quality for annual report, CSR stand-alone report and corporate website

Table 6.4: Panel C: Correlations between the Dichotomous Scores and the Full Scores

Panel C

CSR reporting Quality	QUALITYAR_ DIC	QUALITYWEB_ DIC	QUALITYALL_ DIC	QUALITYAR	QUALITYWEB	QUALITYALL
QUALITYAR_DIC	1	.496**	.710**	**.962****	.357**	.693**
QUALITYWEB_DIC	.553**	1	.943**	.504**	**.984****	.944**
QUALITALL_DIC	.782**	.899**	1	.691**	.931**	**.984****
QUALITYAR	**.971****	.568**	.777**	1	.373**	.709**
QUALITYWEB	.395**	**.984****	.935**	.424**	1	.950**
QUALITALL	.785**	.886**	**.987****	.809**	.940**	1

** Correlation is significant at the 0.01 level (2-tailed). *Correlation is significant at the 0.05 level (2-tailed). Spearman correlations are presented above the diagonal. Pearson correlations are presented below the diagonal. QUALITYAR_DIC is the CSR disclosure quality (based on the dichotomous score) in annual report; QUALITYWEB_DIC is the CSR disclosure quality (based on the dichotomous score) for CSR stand-alone report and CSR section on corporate website; QUALITYALL_DIC is the total score of quality (based on the dichotomous score) for annual report, CSR stand-alone report and corporate website. QUALITYAR is the CSR disclosure quality in annual report; QUALITYWEB is the CSR disclosure quality for CSR stand-alone report and CSR section on corporate website; QUALITYALL is the total score of quality for annual report, CSR stand-alone report and corporate website.

Table 6.4 Panel C presents the correlation between the dichotomous scores and the full scores. The results show the two scores correlated highly. Specifically, Pearson tests showed correlation values of 0.962 and 0.984 for QUALITYAR, QUALITYWEB and QUALITYALL. The Spearman tests indicated correlation values of above 0.971 for QUALITYAR, QUALITYWEB and QUALITYALL. Thus, it is suggested that there is no significant difference in results using the dichotomous scores and the full scores (i.e. scores with a scale of more than one).

6.2.3.2 Categories of Quality

As discussed in Chapter 5, each item in the disclosure index was given a score between '0' to '4'. Thus, there are five categories of quality: 0, 1, 2, 3, and 4. In this analysis, the number of times in which each category quality appeared in the analysis was counted. This means, the quality score is presented based on its extent. For example, if for 13 out of 65 items, a CSR disclosure has a score of 1, the score for quality under the category '1' will be 20 per cent. This procedure, which is also referred to as a matrix approach, follows Beck et al. (2010). This analysis enhances the richness of the data analysis; and it adds to the description of the data presented in Table 6.3. Table 6.5 shows the extent of quality, based on five categories of quality: 0, 1, 2, 3 and 4. The mean for category '0' (i.e. non-disclosure) across all reports (QUALITYALL) was 64.82. This means that, on average, each company did not disclose 42 of the 65 items in the disclosure index (i.e. 64.82 per cent). The pattern was consistent across countries: that across all countries, the mean scores for category '0' were more than 50 per cent. The data indicates that CSR disclosure quality was relatively low. For QUALITYALL, mean CSR quality was the highest at category '4' (i.e. disclosure with quantitative information in comparison to last year's performance, benchmarks or

standards), with a score of 13.05%. This means that across all reports, sample companies either disclose CSR information of a high quality level or provide no disclosure at all. However, mean quality was the highest for category '2' in the annual report; indicating that most companies have at least a brief statement on policy-related information in their annual reports. Mean quality by country shows some variation in the categories of information provided in each report. Both in their annual reports and on their corporate websites, companies in China consistently disclosed brief statements on CSR issues (i.e. category '2') across all reports. Interestingly, companies in India disclosed CSR information of the best quality (i.e. category '4') in their corporate websites, but not in their annual reports. In average, Malaysian corporations obtained a quality score of '1' for their disclosures across all reports. UK corporations consistently provided sentences, which were the highest in category '4' (13.1 and 23.1, respectively, in annual reports and on corporate websites).

Table 6.5: Descriptive Statistics for the Quality of CSR Reporting Based on Category of Quality

Panel A															
Reports	**Quality of CSR Disclosures in Annual Reports**					**Quality of CSR Disclosures in Corporate Websites and CSR stand-alone reports**					**Quality of CSR Disclosures in All Reports**				
Score	**1**	**2**	**3**	**4**	**0**	**1**	**2**	**3**	**4**	**0**	**1**	**2**	**3**	**4**	0
Mean	5.27	7.12	3.08	6.21	78.32	3.92	7.78	2.93	9.39	75.98	6.37	11.44	4.32	13.05	64.82
Median	4.62	6.15	1.54	3.08	80.00	3.08	3.08	0.00	0.00	89.23	6.15	9.23	3.08	4.62	70.77
Std.	4.16	5.46	3.39	7.47	13.39	4.68	9.39	4.29	14.30	27.38	4.67	8.98	4.29	14.80	25.01
Minimum	0.00	0.00	0.00	0.00	27.69	0.00	0.00	0.00	0.00	4.62	0.00	0.00	0.00	0.00	4.62
Maximum	20.00	32.31	18.46	38.46	98.46	24.62	36.92	21.54	58.46	100.00	23.08	40.00	21.54	58.46	98.46
Panel B															
China															
Mean	3.60	4.22	2.28	3.63	86.28	1.57	4.22	2.37	3.38	88.46	4.09	7.63	3.85	6.34	78.09
Median	3.08	3.85	1.54	1.54	87.69	0.00	0.00	0.00	0.00	100.00	3.08	4.62	1.54	3.08	86.15
Std. Deviation	3.04	3.17	2.73	4.47	9.69	2.55	7.52	4.60	7.71	19.91	3.28	7.07	4.47	8.52	18.91
Minimum	0.00	0.00	0.00	0.00	58.46	0.00	0.00	0.00	0.00	33.85	0.00	0.00	0.00	0.00	32.31
Maximum	10.77	13.85	10.77	21.54	98.46	9.23	27.69	15.38	27.69	100.00	15.38	27.69	15.38	35.38	98.46
India															
Mean	5.68	6.80	3.43	4.14	79.94	4.29	7.72	2.28	8.11	77.60	6.75	11.33	4.17	11.33	66.42
Median	4.62	6.15	1.54	1.54	80.77	3.08	3.08	0.00	0.00	90.00	6.15	9.23	3.08	3.08	73.08
Std. Deviation	4.35	4.89	3.92	5.52	13.12	5.51	10.08	3.55	15.44	30.07	5.23	9.47	4.09	15.24	27.35
Minimum	0.00	0.00	0.00	0.00	44.62	0.00	0.00	0.00	0.00	4.62	0.00	0.00	0.00	0.00	4.62
Maximum	20.00	18.46	18.46	20.00	98.46	23.08	36.92	12.31	58.46	100.00	21.54	40.00	15.38	58.46	98.46
Malaysia															
Mean	7.45	6.00	2.47	3.53	80.54	4.07	3.77	1.81	2.38	87.96	8.66	7.84	3.47	5.43	74.60
Median	6.15	4.62	1.54	1.54	81.54	1.54	0.00	0.00	0.00	96.92	7.69	4.62	1.54	1.54	80.00
Std. Deviation	4.64	5.75	2.95	5.53	12.43	5.53	6.55	3.49	7.19	19.35	5.44	7.26	4.01	8.86	18.61
Minimum	0.00	0.00	0.00	0.00	27.69	0.00	0.00	0.00	0.00	24.62	0.00	0.00	0.00	0.00	15.38
Maximum	16.92	32.31	12.31	33.85	98.46	24.62	26.15	12.31	29.23	100.00	23.08	33.85	15.38	41.54	98.46
UK															
Mean	4.31	11.48	4.12	13.69	66.40	5.72	15.51	5.29	23.88	49.60	5.91	19.05	5.82	29.32	39.91
Median	3.85	10.77	3.08	13.08	66.15	5.38	15.38	4.62	23.08	47.69	5.38	18.46	4.62	30.00	40.77
Std. Deviation	3.38	4.98	3.58	8.42	9.53	3.45	8.15	4.62	13.36	18.71	3.08	6.94	4.32	11.37	13.21
Minimum	0.00	1.54	0.00	1.54	46.15	0.00	0.00	0.00	0.00	6.15	0.00	4.62	0.00	9.23	6.15
Maximum	13.85	23.08	15.38	38.46	93.85	13.85	36.92	21.54	55.38	95.38	13.85	36.92	21.54	56.92	63.08

6.2.3.3 Quality per Sentence

Consistent with Hooks and van Staden (2011), this thesis also computed Quality per Sentence Scores. This analysis indicates the quality of CSR per sentence disclosed. Overall, the average quality of CSR disclosure per sentence is 0.571, indicating that it takes almost 2 sentences for a company to obtain a quality score of '1'. The rate is higher for annual report disclosures than for corporate websites (mean of 0.705 as opposed to 0.302). By country, the highest score is for corporations in China, whereas the lowest is that in Malaysia. The results suggest that companies in China disclose a relatively high quality of CSR information per sentence (quality of 1.116 per sentence in all reports). This is the opposite of companies in Malaysia, in which the quality per sentence is relatively low (0.364). The result is influenced by the high number of CSR sentences disclosed by Malaysian corporations.[100] It is suggested that quality per sentence is an aspect which should be analysed in CSR reporting research (see Hooks and Van Staden 2011). Details on this issue are discussed in Chapter 7.

[100] As mentioned elsewhere in this thesis, effective from 31 December 2007, Bursa Malaysia Listing Requirement requires companies to disclose CSR activities in their corporate annual reports. However, the framework given by the Bursa Malaysia is general, comparing with other CSR requirements in other countries. Thus, for the purpose of comparison, the CSR disclosure in Malaysia is treated as voluntary.

Table 6.6: Descriptive Statistics for the Quality of CSR Reporting per Sentence by Report and by Country

Panel A	Annual Reports	Corporate Websites and CSR stand-alone reports	All Reports
N	203	135	203
Mean	.705	.302	.571
Median	.448	.236	.375
Std. Deviation	.988	.393	.869
Minimum	.015	.000	.015
Maximum	7.750	3.000	7.750
Panel B			
China			
N	50	50	50
Mean	1.409	.301	1.116
Median	.792	.000	.568
Std. Deviation	1.729	.549	1.607
Minimum	.125	.000	.133
Maximum	7.750	3.000	7.750
India			
N	52	52	52
Mean	0.538	0.243	0.400
Median	0.364	0.208	0.341
Std. Deviation	0.502	0.301	0.254
Minimum	0.015	0.000	0.015
Maximum	2.700	1.684	1.452
Malaysia			
N	51	51	51
Mean	.370	.221	.364
Median	.315	.200	.333
Std. Deviation	.176	.299	.162
Minimum	.071	.000	.071
Maximum	.857	1.800	.857
United Kingdom			
N	50	50	50
Mean	.517	.446	.417
Median	.471	.323	.361
Std. Deviation	.229	.343	.198
Minimum	.164	.091	.121
Maximum	1.250	1.707	1.103

6.3 Univariate Tests

In relation to hypothesis 1, descriptive analysis indicated that the quantity and quality of CSR disclosure varies between countries. In the univariate analysis, mean difference across all countries was tested using F-test. Table 6.7 (Panel A) confirmed that mean quality and quantity of disclosure are significantly different across countries (p =0.000). The analyses were extended to a two-group comparison using a t-test. The results suggest that CSR quality and quantity in China, India and Malaysia is significantly different from that of the UK (p-value is significant at 5% and 1% across all models in Panel D, Panel F and Panel G). As for China and Malaysia, Panel C shows that the quality of CSR disclosure of companies in these countries is similar; however, the quantity of the information is different: the number of CSR sentences in China is fewer than in Malaysia (t-values for QUANTITYAR and QUANTITYALL are negative). In Panel E, it is shown that the average quality and quantity of CSR disclosure of companies in India and Malaysia is similar (co-efficient values are not significant in all models). Finally, the quality and quantity of CSR disclosure for companies in India is different from that in China (p-values are significant in all models, except for QUALITYWEB). Taken together, Hypothesis 1 is supported.

Table 6.7: T-test of CSR Reporting between Countries

	Panel A		**Panel B**		**Panel C**		**Panel D**		**Panel E**		**Panel F**		**Panel G**	
	All Countries		China and India		China and Malaysia		China and United Kingdom		India and Malaysia		India and United Kingdom		Malaysia and United Kingdom	
	F	p-value	t	p-value	t	p-value	t	p-value	t	p-value	t	p-value	T	p-value
QUALITYAR	36.28	**.00*** **	-2.20	**.03** **	-1.32	.19	**-10.20**	**.00*** **	.80	.43	**-7.06**	**.00*** **	**-7.89**	**.00*** **
QUALITYWEB	14.57	**.00*** **	-1.42	.16	.93	.35	**-5.34**	**.00*** **	**2.34**	**.02** **	**-2.96**	**.00*** **	**-7.00**	**.00*** **
QUALITYALL	44.30	**.00*** **	-2.29	**.02** **	-.10	.92	**-12.16**	**.00*** **	**2.23**	**.03** **	**-6.80**	**.00*** **	**-12.06**	**.00*** **
QUANTITYAR	21.69	**.00*** **	-4.41	**.00*** **	**-4.69**	**.00*** **	**-8.32**	**.00*** **	-.83	.41	**-4.34**	**.00*** **	**-3.27**	**.00*** **
QUANTITYWEB	8.82	**.00*** **	-1.91	**.06** *	-.08	.94	**-3.99**	**.00*** **	**1.79**	**.08** *	**-2.22**	**.03** **	**-4.02**	**.00*** **
QUANTITYALL	34.84	**.00*** **	-3.50	**.00*** **	**-2.35**	**.02** **	**-9.31**	**.00*** **	1.32	.19	**-5.47**	**.00*** **	**-6.98**	**.00*** **

QUALITYAR is the CSR disclosure quality in annual report; QUALITYWEB is the CSR disclosure quality for CSR stand-alone report and CSR section on corporate website; QUALITYALL is the total score of quality for annual report, CSR stand-alone report and corporate website; QUANTITYAR is the CSR disclosure quantity in annual report; QUANTITYWEB is the CSR disclosure quantity for CSR stand-alone report and CSR section on corporate website; QUANTITYALL is the total score of quantity for annual report, CSR stand-alone report and corporate website

6.4 Main Multivariate Regression Analysis

All the independent variables were regressed separately against the measures of CSR quality and quantity.[101] Results are summarized in Table 6.8: Panel A presents the regression of CSR Quality, and Panel B shows the regression of CSR Quantity on all the explanatory variables.

Overall, Panel A demonstrates that the explanatory power of the three models is moderately high (adjusted R^2 of 35.9%, 61.5% and 67.8% respectively for annual reports, corporate websites and combination). By report, R^2 for corporate websites is higher than that for the annual report, suggesting that the model explains that the quality of information disclosed in voluntary reports is better than that disclosed in annual reports. In relation to Hypothesis 2, Table 6.8 shows that individualism correlates significantly with CSR disclosure across three models. The relationships indicate that companies operating in an individualistic society disclose high quality of CSR information. This finding is consistent with the prediction of Gray (1988) that firms operating in an individualistic society tend to provide [voluntary] accounting disclosure because disclosure is seen as a weapon which shows their superiority. Similarly, high quality disclosures may help preserve a relationship and confidence in a firm (see Williams, 2004). The result suggests that masculinity does not influence the quality of CSR reporting.

For Hypothesis 3, the co-efficient for proportion of independent directors on the board (BC) was significant in QUALITYAR ($t = -1.812$; $p = 0.071$). Although it is pretty weak, the result provides support that the independent directors play a substitute-monitoring role; i.e. their existence causes lower levels of disclosure (e.g. Chen and Jaggi, 2000; Eng and Mak,

[101] Collinearity diagnostic tests were conducted on each regression analysis. The multicollinearity has been checked using VIF. No correlation above 0.8 was found. The presence of influential data points has been checked using Cook Distance statistic. No influential data point was found. In addition, the presence of outliers was detected using case wise diagnostic computed by SPSS. Finally, the normality of residuals was checked by P-P plot. Data showed that residuals were normally distributed.

2003). However, board composition (BC) does not influence the quality of information in CSR stand-alone reports or from corporate websites (QUALITYWEB). Taken together, it is suggested that the board composition has been influential only in the annual reports. There is no indication to suggest that board composition improves or reduces the disclosures on QUALITYWEB (i.e. CSR stand-alone reports or CSR sections on corporate websites). In contrast, the table shows significant positive relationships between CSR board committees (COM) and CSR quality. This indicates that the presence of CSR board committees enhances the quality of CSR disclosure in annual reports and corporate websites. A discussion on this finding is provided in Chapter 7.

In relation to Hypothesis 4, the table shows an inconsistent influence of government affiliation on CSR reporting. A significant, positive relationship between GOVT and QUALITYAR indicates that as the government share increases, companies disclose high quality of CSR information in their annual reports (t=2.426, p=0.016). However, government affiliation does not enhance the quality of disclosure on corporate websites (QUALITYWEB). The results suggest that companies managed the disclosures in their corporate report. As alluded by De Villiers and Van Staden (2011) and Simnett et al. (2009), CSR disclosures in annual report are directed to capital market stakeholders, in an attempt to reduce information asymmetry. When companies prepare the corporate reports, they are driven by their perception on who the targeted audience or users of the corporate reports will be. Thus, government-owned corporations disclosed high quality of CSR information only in annual reports, but not in the corporate websites. This result adds to the literature pertaining to the influence of the government affiliation on CSR reporting.

The results for the control variables show some interesting findings. Firstly, Big-4 auditors enhance the quality of CSR reporting in the annual report, but not on the corporate websites (t= 1.684; p =0.094). Thus, it is suggested that the auditing process increases the

credibility of CSR information in the regulated set of reports. Likewise, the quality of CSR information increases with the existence of a CSR assurance statement (ASS). Listing status (LIST) upholds the quality of CSR information on corporate websites. Thus, it is suggested that business complexity and globalization influences the quality CSR information where the method of reporting is voluntary. The proportion of subsidiaries overseas (SUB) does not enhance the quality of CSR information. Finally, size (MCAP) is not significant in all models, suggesting that the variable has been successfully controlled in the sample selection process.[102]

Panel B presents the results for CSR disclosure quantity. The R^2 values in Panel B are relatively lower than those in Panel A, suggesting that the regression models fit the CSR reporting quality better than the CSR reporting quantity.[103] The findings in Panel B are similar to those in Panel A in several respects. Firstly, with regard to cultural variables, individualism and CSR reporting are positively associated, indicating that companies operating in a collectivist society report fewer CSR sentences. Companies operating in a masculine society provided less disclosure in annual reports. The result is consistent with the literature on CSR disclosures in annual reports (e.g. Van Der Laan Smith et al., 2005). Secondly, the existence of CSR board committees (COM) enhances the quantity of CSR information across all reports. However, there are no signs in any of the CSR reporting models to indicate the levels of effectiveness of board composition. Thirdly, companies that were audited by Big4 firms disclosed a high level of CSR information in their annual reports (t=3.015; p = 0.003;). Fourthly, it was found that the CSR assurance statement enhances the

[102] Prior studies converted proxies for size into logarithms (e.g. Patten and Crampton, 2004; Freedman and Jaggi, 2005; De Villiers and Van Staden, 2011). Following this literature, MCAP was converted into logarithms. The results (not tabulated) showed consistencies in the findings, that $MCAP_{logarithm}$ was not influential in all the regression models. Thus, corporate size has been successfully controlled in the sampling process.

[103] The finding is similar to Haniffa and Cooke (2005), in which they demonstrated that in detecting the difference in disclosures, the regression results using disclosure quality is more powerful than those of quantity (see Joseph and Taplin, 2011)

quantity of CSR information. Finally, it is suggested that disclosure quantity increases with listing status (LIST) and business complexity (SUB). Taken together, overall results provide support for H_2, H_{3a} and H_{4a}.

The last tests involved interaction variables. The cultural variables (individualism and masculinity) were interacted with CSR board committees (COM) and government affiliation (GOVT), respectively. The new variables (IND*COM, IND*GOVT, MAS*COM, MAS*GOVT) were regressed against CSR disclosure quality and quantity. Hypotheses related to interaction variables were tested based on the following models:

$$CSR= \beta_o + \beta_1 BC + \beta_2 COM + \beta_3 GOVT + \beta_4 IND + B_5 MAS + \beta_6 BIG4 + \beta_7 ASS + \beta_8 LIST + \beta_9 SUB + \beta_{10} MCAP + \beta_{11} (IND \times COM) + \varepsilon$$

$$CSR= \beta_o + \beta_1 BC + \beta_2 COM + \beta_3 GOVT + \beta_4 IND + B_5 MAS + \beta_6 BIG4 + \beta_7 ASS + \beta_8 LIST + \beta_9 SUB + \beta_{10} MCAP + \beta_{11} (MAS \times COM) + \varepsilon$$

$$CSR= \beta_o + \beta_1 BC + \beta_2 COM + \beta_3 GOVT + \beta_4 IND + B_5 MAS + \beta_6 BIG4 + \beta_7 ASS + \beta_8 LIST + \beta_9 SUB + \beta_{10} MCAP + \beta_{11} (IND \times GOVT) + \varepsilon$$

$$CSR= \beta_o + \beta_1 BC + \beta_2 COM + \beta_3 GOVT + \beta_4 IND + B_5 MAS + \beta_6 BIG4 + \beta_7 ASS + \beta_8 LIST + \beta_9 SUB + \beta_{10} MCAP + \beta_{11} (MAS \times GOVT) + \varepsilon$$

Table 6.9 shows results including IND*COM and IND*GOVT which are slightly different from those in the main regression analysis in Table 6.8.[104] Specifically, the table

[104] Correlation tests between all the independent variables were performed before performing the regression tests. No correlation above 0.8 was found. Multicollinearity was checked again using the VIF. The VIF for MAS*GOVT and MAS*COM was relatively high. As a result, MAS was removed from the final analysis.

shows no influence from the CSR board committee (COM) on CSR reporting, except in QUANTITYALL. Individualism (IND) and CSR reporting quality are positively correlated; this result is consistent with Table 6.8. In relation to Hypothesis 3b, the table shows that the presence of CSR committees in companies operating in a collectivist society (COM*IND) enhance the quality of CSR disclosure (correlation values for QUALITYWEB and QUALITYALL are -2.578 and -2.654 respectively). Table 6.10 shows that the relationship between IND*GOVT and CSR reporting is insignificant in all models. Taken together, Table 6.9 shows partial support for the interaction between CSR board committees and culture (H_{3b}); and Table 6.10 provides no support for the interaction between government ownership and culture (H_{4b}). The remaining results in Table 6.9 and 6.10 are consistent with the main regression model.

Table 6.8: Regression of the Quality and Quantity of CSR Disclosures on Explanatory Variables

Equation (x) CSR= $\beta_o + \beta_1 BC + \beta_2 COM + \beta_3 GOVT + \beta_4 IND + B_5 MAS + \beta_6 BIG4 + \beta_7 ASS + \beta_8 LIST + \beta_9 SUB + \beta_{10} MCAP + \varepsilon$

		Panel A: CSR Quality						**Panel B: CSR Quantity**					
		QUALITYAR		**QUALITYWEB**		**QUALITYALL**		**QUANTITYAR**		**QUANTITYWEB**		**QUANTITYALL**	
		t	**Sig.**	**T**	**Sig.**	**t**	**Sig.**	**t**	**Sig.**	**t**	**Sig.**	**t**	**Sig.**
(Constant)		8.848	.000	5.612	.000	7.661	.000	2.342	.020	2.421	.017	3.798	.000
BC	(+/-)	**-1.812**	**0.071***	-.195	.846	-1.160	.247	.913	.362	-.820	.414	-.491	.624
COM	(+/-)	**3.153**	**0.002****	**3.366**	**0.001*****	**9.829**	**0.000*****	**3.352**	**0.001*****	**2.999**	**0.003*****	**4.677**	**0.000*****
GOVT	(+/-)	**2.426**	**0.016****	.675	.501	**2.267**	**0.025****	-.248	.804	1.283	.202	1.015	.312
IND	(+/-)	**5.050**	**0.000*****	**2.123**	**0.036****	**4.046**	**0.000*****	**4.043**	**0.000*****	-.268	.789	**2.208**	**0.028****
MAS	(+/-)	-.361	.718	.804	.423	.805	.422	**-2.566**	**0.011*****	.341	.733	1.615	.108
BIG4	(+)	**1.684**	**0.094***	.690	.491	1.604	.110	**3.015**	**0.003*****	.056	.955	1.535	.126
ASS	(+)	**1.865**	**0.064***	**9.256**	**0.000*****	**5.251**	**0.000*****	1.025	.306	**6.775**	**0.000*****	**8.047**	**0.000*****
LIST	(+)	1.163	.246	**2.403**	**0.018****	**2.933**	**0.004*****	**1.927**	**0.055***	1.401	.164	**2.203**	**0.029****
SUB	(+)	.108	.914	.728	.468	.852	.395	1.438	.152	**2.330**	**0.021****	**2.659**	**0.008*****
MCAP	(+)	-1.059	.291	1.360	.176	1.329	.185	-.690	.491	1.106	.271	1.023	.307
N		203		135		203		203		135		203	
Adjusted R^2		.359		.615		.678		.226		.426		.570	
F-statistic		29.320		54.530		86.161		15.719		34.206		67.924	
Sig		0.000		0.000		0.000		0.000		0.000		0.000	

*Correlation is significant at the 0.1 level (2-tailed). **Correlation is significant at the 0.05 level (2-tailed). ***Correlation is significant at the 0.01 level (2-tailed). The multicollinerity has been checked using VIF. No correlation above 0.8 was found. Regression results have been checked for the presence of influential data points using Cook D statistic. No influential data points were detected. QUALITYAR is the CSR disclosure quality in annual report; QUALITYWEB is the CSR disclosure quality for CSR stand-alone report and CSR section on corporate website; QUALITYALL is the total score of quality for all reports; QUANTITYAR is the CSR disclosure quantity in annual report; QUANTITYWEB is the CSR disclosure quantity for CSR stand-alone report and CSR section on corporate website; QUANTITYALL is the total score of quantity for all reports; BC is the proportion of independent directors to the total number of directors on Board, COM is the presence of CSR board committees; GOVT is if the company is owned by the government; IND is the individualism score as obtained from Hofstede (2001); MAS is the masculinity score obtained from Hofstede (2001); BIG4 is if the firm annual report is audited by a BIG4 firm; ASS is the presence of CSR assurance statement; LIST is if the firm is dually listed overseas; SUB is the proportion of subsidiaries operating overseas; and MCAP is market capitalization indicated in US dollars.

Table 6.9: Regression Results Incorporating the Interaction Variable (H3b)

Equation (x) CSR= $\beta_o + \beta_1 COM + \beta_2 BC + \beta_3 GOVT + -\beta_4 IND + B_5 IND*COM + \beta_6 BIG4 + \beta_7 ASS + \beta_8 LIST + \beta_9 SUB + \beta_{10} MCAP + \varepsilon$

		QUALITYAR		**QUALITYWEB**		**QUALITYALL**		**QUANTITYAR**		**QUANTITYWEB**		**QUANTITYALL**	
		t	**Sig.**	**t**	**Sig.**	**t**	**Sig.**	**t**	**Sig.**	**t**	**Sig.**	**t**	**Sig.**
(Constant)		6.206	.000	2.863	.005	5.620	.000	2.046	.042	1.377	.171	2.348	.020
COM	(+/-)	1.239	.217	.067	.947	1.066	.288	1.471	.143	1.273	.205	**2.211**	**0.028****
BC	(+/-)	**-1.801**	**0.073***	-.216	.829	-1.085	.279	.802	.423	-.752	.453	-.448	.655
GOVT	(+/-)	**2.064**	**0.040****	.054	.957	**1.994**	**0.048****	.641	.522	.944	.347	1.111	.268
IND	(+/-)	**3.041**	**0.003*****	**3.066**	**0.003*****	**4.323**	**0.000*****	1.022	.308	.532	.596	1.349	.179
IND*COM	(+/-)	.846	.399	**-2.578**	**0.011****	**-2.654**	**0.009*****	.041	.967	.182	.855	.272	.786
BIG4	(+)	**2.404**	**0.017****	1.048	.297	**2.604**	**0.001*****	**1.981**	**0.049****	.132	.895	**1.711**	**0.089***
ASS	(+)	1.364	.174	**8.605**	**0.000*****	**9.362**	**0.000*****	.584	.560	**5.999**	**0.000*****	**7.578**	**0.000****
LIST	(+)	1.510	.133	**1.982**	**0.05****	**2.968**	**0.003*****	1.271	.205	1.272	.206	**1.982**	**0.049****
SUB	(+)	.155	.877	.573	.568	.866	.388	.869	.386	**1.766**	**0.080***	**2.105**	**0.037****
MCAP	(+)	**-2.093**	**0.038****	.480	.632	.075	.941	-1.398	.164	.391	.697	.170	.865
Adjusted R^2		.390		.626		.699		.210		.416		.576	
N		203		135		203		203		135		203	
F-statistic		13.909		23.400		47.994		6.373		10.561		28.464	
Sig		**0.000**		**0.000**		**0.000**		**0.000**		**0.000**		**0.000**	

Correlation tests between all the independent variables showed no correlation above 0.8. *Correlation is significant at the 0.1 level (2-tailed). **Correlation is significant at the 0.05 level (2-tailed). ***Correlation is significant at the 0.01 level (2-tailed). QUALITYAR is the CSR disclosure quality in annual report; QUALITYWEB is the CSR disclosure quality for CSR stand-alone report and CSR section on corporate website; QUALITYALL is the total score of quality for all reports; QUANTITYAR is the CSR disclosure quantity in annual report; QUANTITYWEB is the CSR disclosure quantity for CSR stand-alone report and CSR section on corporate website; QUANTITYALL is the total score of quantity for all reports; BC is the proportion of independent directors to the total number of directors on Board; COM is the presence of CSR board committees; GOVT is if the company is owned by the government; IND is the individualism score as obtained from Hofstede (2001); IND*COM is the interaction variable; BIG4 is if the firm annual report is audited by a BIG4 firm; ASS is the presence of CSR assurance statement; LIST is if the firm is dually listed overseas; SUB is the proportion of subsidiaries operating overseas; and MCAP is market capitalization indicated in US dollars.

Table 6.10: Regression Results Incorporating the Interaction Variable (H4b)

Equation (x) CSR= $\beta_o + \beta_1 COM + \beta_2 BC + \beta_3 GOVT + -\beta_4 IND + B_5 IND*GOVT + \beta_6 BIG4 + \beta_7 ASS + \beta_8 LIST + \beta_9 SUB + \beta_{10} MCAP + \varepsilon$

		QUALITYAR		QUALITYWEB		QUALITYALL		QUANTITYAR		QUANTITYWEB		QUANTITYALL	
		t	**Sig.**	**t**	**Sig.**	**t**	**Sig.**	**t**	**Sig.**	**t**	**Sig.**	**t**	**Sig.**
(Constant)		5.608	.000	2.418	.017	4.737	.000	2.171	.031	1.199	.233	2.271	.024
COM	(+/-)	**3.040**	**0.003****	**2.544**	**0.012****	**4.620**	**0.000*****	**2.197**	**0.029****	**2.060**	**0.042****	**3.673**	**0.000*****
BC	(+/-)	**-1.712**	**0.089***	-.272	.786	-1.017	.310	.761	.447	-.746	.457	-.449	.654
GOVT	(+/-)	1.328	.186	-.878	.382	.437	.662	-.315	.753	.288	.774	.190	.849
IND	(+/-)	.711	.478	1.360	.176	.134	.894	1.127	.261	.136	.892	.822	.412
IND* GOVT	(+/-)	.811	.418	1.028	.306	1.349	.179	.492	.623	.057	.955	.100	.921
BIG4	(+)	**-2.441**	**0.016****	.114	.909	**-2.066**	**0.040****	**-1.770**	**0.078***	.122	.903	1.588	.114
ASS	(+)	1.583	.115	**8.943**	**0.000*****	**9.678**	**0.000*****	.551	.582	**6.130**	**0.000*****	**7.676**	**0.000*****
LIST	(+)	1.439	.152	**1.800**	**0.074***	**2.550**	**0.012****	1.253	.212	1.243	.216	**1.955**	**0.052***
SUB	(+)	.165	.869	.407	.684	.765	.445	.847	.398	**1.749**	**0.083***	**2.091**	**0.038****
MCAP	(+)	**-1.892**	**0.060***	.914	.363	.698	.486	-1.458	.146	.449	.654	.234	.815
Adjusted R^2		.390		.609		.688		.211		.416		.576	
F-statistic		13.899		21.868		45.622		6.405		10.556		28.448	
Sig		**0.000**		**0.000**		**0.000**		**0.000**		**0.000**		**0.000**	

*Correlation is significant at the 0.1 level (2-tailed). **Correlation is significant at the 0.05 level (2-tailed). ***Correlation is significant at the 0.01 level (2-tailed). QUALITYAR is the CSR disclosure quality in annual report; QUALITYWEB is the CSR disclosure quality for CSR stand-alone report and CSR section on corporate website; QUALITYALL is the total score of quality for all reports; QUANTITYAR is the CSR disclosure quantity in annual report; QUANTITYWEB is the CSR disclosure quantity for CSR stand-alone report and CSR section on corporate website; QUANTITYALL is the total score of quantity for all reports; BC is the proportion of independent directors to the total number of directors on Board, COM is the presence of CSR board committees; GOVT is if the company is owned by the government; IND is the individualism score as obtained from Hofstede (2001);IND*GOVT is the interaction variable; BIG4 is if the firm annual report is audited by a BIG4 firm; ASS is the presence of CSR assurance statement; LIST is if the firm is dually listed overseas; SUB is the proportion of subsidiaries operating overseas; and MCAP is market capitalization indicated in US dollars.

6.5 Alternative Explanation

6.5.1 Regression Analysis by Country

The analysis was extended by conducting regression tests for each country (Table 6.11). The result provides an indication of whether CSR reporting models differ across countries. The new model also removes cultural variables; thus it provides alternative explanation on CSR reporting practices across countries. Overall, Table 6.11 shows that CSR assurance (ASS) consistently enhances the quality of CSR disclosure in all countries (although not in annual reports). Listing status (LIST) improved the quality of CSR disclosure in emerging markets. Specifically, the existence of CSR board committees (COM) enhances the quality of CSR disclosure in companies in China (t=2.400; p=0.021), but not in other countries. In addition, Chinese corporations that are owned by the government, and whose corporate reports were audited by Big4 Auditors, are inclined to provide a higher quantity of CSR disclosures in their reports. However, the disclosure models do not apply to the annual report of Chinese corporations (R^2 values are very low and the models are insignificant for QUALITYAR and QUANTITYAR). This means, CSR reporting in Chinese corporations is unique; and the CSR reporting model in this thesis was not able to capture the phenomenon completely.

In India, the existence of Big4 auditors enhances the quality and quantity of CSR information on corporate websites (t=1.825; p=0.081 for QUALITYWEB and t=2.211; p=0.037 for QUANTITYWEB). The quality and quantity of CSR disclosures in the annual reports of the large corporations is higher than that of the small corporations. In relation to Hypothesis 3, Panel B shows that, as the board composition (BC) increases, the quality and quantity of CSR disclosure in the annual report decreases (correlation coefficients are -2.079 and -2.140 respectively for QUALITYAR and QUANTITYAR). The result is opposite to the predictions of agency theory and resource dependency theory (see De Villiers et al., 2011).

However, it is consistent with some of the literature in voluntary disclosures (see Haniffa and Cooke, 2002; Eng and Mak, 2003). The result indicates the substitute-monitoring role played by independent directors in India (see Kelton and Yang, 2008). Interestingly, the table also presents a negative relationship between GOVT and QUANTITYAR (p= 0.089; t=-1.742). This means, that government-owned companies in India provide fewer CSR sentences in their annual reports. However, only 31.2 per cent of the variation in QUANTITYAR is explained by all the independent variables in the disclosure model. The R^2 value of 31.2% for QUALITYAR is relatively low.

In Malaysia, the government-linked companies disclosed high quality and quantity of CSR information in their annual reports, but not in their corporate websites (Panel C). In addition, Malaysian corporations listed overseas also provide a high quality and quantity of CSR disclosure. The models for QUALITYAR and QUALITYALL show that large corporations disclosed high quality of CSR reporting (correlations are significant for MCAP). These results indicate sizes of Malaysian corporations vary considerably. The results show no sign of the influence of BIG4 firm on CSR reporting in Malaysia. R^2 values of all models in Panel C are lower than those of other countries;[105] yet, the results are consistent with the previous studies (e.g. Mohd Ghazali, 2007; Amran and Devi, 2008). [106] The model does not fully explain the disclosure in corporate websites of Malaysian corporations (p-value is insignificant for QUANTITYWEB). Overall, the results suggest that CSR reporting practice in Malaysia is determined by globalization and business complexity, in addition to the government shares.

[105] This comparison counted only the models with significant p-values

[106] The adjusted R^2 of 48.8% for QUALITYAR and 52.9% for QUALITYALL are consistent with prior studies conducted in Malaysia. For example, Amran and Devi (2008) obtained adjusted R^2 value of 36.7 (for annual reports) and Joseph and Taplin (2011) obtained adjusted R^2 value of 56% (for annual reports and corporate websites).

Finally, in the UK, CSR assurance statement enhances the quality and quantity of CSR disclosures. The quantity of CSR information across all reports increases with the proportion of subsidiaries overseas. These results are associated with high number of the UK corporations operating in the US.[107] However, the model does not explain CSR reporting in the annual reports of the UK corporations (p-values are insignificant in QUANTITYAR and QUALITYAR). Overall, the results suggest that the setting of CSR reporting is unique for each country.

[107] The analyses on subsidiaries showed UK, 16% of the subsidiaries of UK corporations operating in the US. This is the highest compared to other countries: China has 0.5%, Malaysia has 0.8% and India has 6% of subsidiaries operating in the US. The results were obtained from Mergent Online Database and not tabulated.

Table 6.11: Panel A: Regression Results by Country: China

Equation (x) CSR= $\beta_o + \beta_1 BC + \beta_2 COM + \beta_3 GOVT + \beta_4 BIG4 + \beta_5 ASS + \beta_6 LIST + \beta_7 SUB + \beta_8 MCAP + \varepsilon$

		QUALITYAR		QUALITYWEB		QUALITYALL		QUANTITYAR		QUANTITYWEB		QUANTITYALL	
		t	Sig.	t	Sig.	t	Sig.	t	Sig.	t	Sig.	t	Sig.
(Constant)		1.366	.179	-1.340	.200	-.483	.632	-.638	.527	-.356	.726	-1.263	.214
BC	(+/-)	-.441	.662	**1.958**	**0.069***	1.411	.166	.801	.428	.582	.569	1.604	.116
COM	(+/-)	1.112	.272	1.532	.146	**2.400**	**0.021****	.387	.700	.765	.456	**1.941**	**0.059***
GOVT	(+/-)	.680	.500	.214	.833	1.176	.246	.106	.916	**2.612**	**0.019****	**2.012**	**0.051***
BIG4	(+)	.968	.339	.831	.419	1.610	.115	1.079	.287	.641	.531	**1.813**	**0.077***
ASS	(+)	.911	.368	**3.774**	**0.001*****	**4.134**	**0.000*****	.345	.732	**2.651**	**0.018****	**4.614**	**0.000*****
LIST	(+)	1.683	.100	1.227	.239	**2.325**	**0.025****	.838	.407	.710	.489	**1.704**	**0.09***
SUB	(+)	-.198	.844	.139	.891	.474	.638	.692	.493	.370	.716	1.006	.320
MCAP	(+)	-1.261	.214	1.598	.131	1.396	.170	-.501	.619	.847	.410	1.587	.120
Adjusted R^2		.025		.633		.606		-.054		0.35		0.631	
N		50		24		50		50		24		50	
F-statistic		1.157		5.963		10.434		.686		5.857		11.47	
Sig		.348		**.002**		**.000**		.701		**0.000**		**0.000**	

*Correlation is significant at the 0.1 level (2-tailed). **Correlation is significant at the 0.05 level (2-tailed). ***Correlation is significant at the 0.01 level (2-tailed. QUALITYAR is the CSR disclosure quality in annual report; QUALITYWEB is the CSR disclosure quality for CSR stand-alone report and CSR section on corporate website; QUALITYALL is the total score of quality for all reports; QUANTITYAR is the CSR disclosure quantity in annual report; QUANTITYWEB is the CSR disclosure quantity for CSR stand-alone report and CSR section on corporate website; QUANTITYALL is the total score of quantity for all reports; BC is the proportion of independent directors to the total number of directors on Board, COM is the presence of CSR board committees; GOVT is if the company is owned by the government; BIG4 is if the company annual report is audited by a BIG4 firm; ASS is the presence of CSR assurance statement; LIST is if the firm is dually listed overseas; SUB is the proportion of subsidiaries operating overseas; and MCAP is market capitalization indicated in US dollars.

Table 6.11: Panel B: Regression Results by Country: India

Equation (x) CSR= $\beta_o + \beta_1 BC + \beta_2 COM + \beta_3 GOVT + \beta_4 BIG4 + \beta_5 ASS + \beta_6 LIST + \beta_7 SUB + \beta_8 MCAP + \varepsilon$

		QUALITYAR		QUALITYWEB		QUALITYALL		QUANTITYAR		QUANTITYWEB		QUANTITYALL	
		t	Sig.	t	Sig.	t	Sig.	t	Sig.	t	Sig.	t	Sig.
(Constant)		3.501	.001	1.749	.094	2.944	.005	-.029	.977	2.168	.041	2.144	.038
BC	(+/-)	**-2.079**	**0.044****	-.737	.469	-1.394	.171	**-2.140**	**0.038****	**-1.828**	**0.08***	-.864	.392
COM	(+/-)	**1.865**	**0.069***	.295	.771	1.164	.251	**2.327**	**0.025****	1.282	.213	**2.641**	**0.011*****
GOVT	(+/-)	1.045	.302	-1.069	.296	.610	.545	**-1.742**	**0.089***	.143	.888	-.172	.864
BIG4	(+)	-1.068	.291	**1.825**	**0.081***	.136	.892	.048	.962	**2.211**	**0.037****	.995	.325
ASS	(+)	-.595	.555	**7.246**	**0.000*****	**7.114**	**0.000*****	-1.202	.236	**6.183**	**0.000*****	**6.237**	**0.000*****
LIST	(+)	1.017	.315	**2.247**	**0.035****	**3.255**	**0.002*****	**2.335**	**0.024****	.351	.729	**2.410**	**0.020****
SUB	(+)	-.568	.573	-1.022	.317	-.638	.527	**-2.127**	**0.039****	-1.219	.235	-1.468	.149
MCAP	(+)	**2.891**	**0.006*****	-.223	.826	1.632	.110	**3.605**	**0.001*****	.052	.959	**1.871**	**0.068***
Adjusted R^2		.232		.789		.718		.312		0.77		0.721	
N		52		32		52		52		32		52	
F-statistic		2.924		15.463		17.249		3.885		13.972		17.452	
Sig		**.011**		**.000**		**.000**		**.002**		**0.000**		**0.000**	

*Correlation is significant at the 0.1 level (2-tailed). **Correlation is significant at the 0.05 level (2-tailed). ***Correlation is significant at the 0.01 level (2-tailed). QUALITYAR is the CSR disclosure quality in annual report; QUALITYWEB is the CSR disclosure quality for CSR stand-alone report and CSR section on corporate website; QUALITYALL is the total score of quality for all reports; QUANTITYAR is the CSR disclosure quantity in annual report; QUANTITYWEB is the CSR disclosure quantity for CSR stand-alone report and CSR section on corporate website; QUANTITYALL is the total score of quantity for all reports; BC is the proportion of independent directors to the total number of directors on Board, COM is the presence of CSR board committees; GOVT is if the company is owned by the government; BIG4 is if the firm annual report is audited by a BIG4 firm; ASS is the presence of CSR assurance statement; LIST is if the firm is dually listed overseas; SUB is the proportion of subsidiaries operating overseas; and MCAP is market capitalization indicated in US dollars.

Table 6.11: Panel C: Regression Results by Country: Malaysia

Equation (x) CSR= $\beta_o + \beta_1 BC + \beta_2 COM + \beta_3 GOVT + \beta_4 BIG4 + \beta_5 ASS + \beta_6 LIST + \beta_7 SUB + \beta_8 MCAP + \varepsilon$

		QUALITYAR		QUALITYWEB		QUALITYALL		QUANTITYAR		QUANTITYWEB		QUANTITYALL	
		t	Sig.	t	Sig.	t	Sig.	t	Sig.	t	Sig.	t	Sig.
(Constant)		1.371	.178	1.743	.097	1.965	.056	.562	.577	.907	.375	1.054	.298
BC	(+/-)	-.661	.512	-1.276	.217	-1.355	.183	-.688	.495	-1.389	.180	**-1.855**	**0.071***
COM	(+/-)	.224	.824	-.138	.891	.069	.946	.284	.778	.801	.432	.499	.620
GOVT	(+/-)	**1.720**	**0.093***	.650	.523	**1.744**	**0.088***	**2.123**	**0.04****	.155	.878	1.481	.146
BIG4	(+)	.942	.352	-.054	.957	.518	.607	1.313	.196	.362	.721	.823	.415
ASS	(+)	.602	.551	**3.396**	**0.003*****	**4.623**	**0.000*****	.659	.514	.592	.561	**2.130**	**0.039****
LIST	(+)	**5.991**	**0.000*****	**2.400**	**0.026****	**4.934**	**0.000*****	**3.529**	**0.001*****	.267	.792	**2.608**	**0.013***
SUB	(+)	-.524	.603	.025	.980	-.332	.741	-.504	.617	.670	.511	.286	.776
MCAP	(+)	**1.921**	**0.061***	.298	.769	**1.723**	**0.092***	1.611	.115	.037	.971	1.120	.269
Adjusted R^2		.488		.416		.529		.275		-0.048		0.275	
N		51		29		51		51		29		51	
F-statistic		6.955		3.497		8.028		3.367		0.84		3.369	
Sig		**.000**		**.011**		**.000**		**.005**		0.579		**0.005**	

*Correlation is significant at the 0.1 level (2-tailed). **Correlation is significant at the 0.05 level (2-tailed). ***Correlation is significant at the 0.01 level (2-tailed). QUALITYAR is the CSR disclosure quality in annual report; QUALITYWEB is the CSR disclosure quality for CSR stand-alone report and CSR section on corporate website; QUALITYALL is the total score of quality for all reports; QUANTITYAR is the CSR disclosure quantity in annual report; QUANTITYWEB is the CSR disclosure quantity for CSR stand-alone report and CSR section on corporate website; QUANTITYALL is the total score of quantity for all reports; BC is the proportion of independent directors to the total number of directors on Board, COM is the presence of CSR board committees; GOVT is if the company is owned by the government; BIG4 is if the company annual report is audited by a BIG4 firm, 0 otherwise; ASS is the presence of CSR assurance statement, 0 otherwise; LIST is if the firm is dually listed overseas, 0 otherwise; SUB is the number of subsidiaries operating overseas in relation to the total number of subsidiaries; and MCAP is market capitalization indicated in US dollars.

Table 6.11: Panel D: Regression Results by Country: United Kingdom

Equation (x) CSR= $\beta_o + \beta_1 BC + \beta_2 COM + \beta_3 ASS + \beta_4 LIST + \beta_5 SUB + \beta_6 MCAP + \varepsilon$

		QUALITYAR		QUALITYWEB		QUALITYALL		QUANTITYAR		QUANTITYWEB		QUANTITYALL	
		t	Sig.	t	Sig.	t	Sig.	t	Sig.	t	Sig.	t	Sig.
(Constant)		3.128	.003	1.244	.221	2.898	.006	1.441	.157	-1.518	.137	-.889	.379
BC	(+/-)	-1.670	.102	.628	.533	.151	.880	-1.300	.201	1.421	.163	.851	.400
COM	(+/-)	1.218	.230	.093	.926	.476	.637	1.537	.132	.097	.923	.695	.491
ASS	(+)	**2.236**	**0.031****	**3.797**	**0.000*****	**4.200**	**0.000*****	1.413	.165	**2.262**	**0.029****	**2.718**	**0.009*****
LIST	(+)	.066	.948	1.011	.318	1.381	.175	1.128	.266	.474	.638	.895	.376
SUB	(+)	1.067	.292	.227	.821	.796	.431	**1.915**	**0.062***	**2.186**	**0.034****	**2.841**	**0.007*****
MCAP	(+)	**-1.943**	**0.059***	.055	.957	-.464	.645	-1.110	.273	1.248	.219	.760	.452
Adjusted R^2		.083		.269		.304		.084		0.308		0.358	
N		50		50		50		50		50		50	
F-statistic		1.630		3.571		4.055		1.639		4.115		4.91	
Sig		.154		**.004**		**.002**		.151		**0.000**		**0.000**	

*Correlation is significant at the 0.1 level (2-tailed). **Correlation is significant at the 0.05 level (2-tailed). ***Correlation is significant at the 0.01 level (2-tailed). QUALITYAR is the CSR disclosure quality in annual report; QUALITYWEB is the CSR disclosure quality for CSR stand-alone report and CSR section on corporate website; QUALITYALL is the total score of quality for all reports; QUANTITYAR is the CSR disclosure quantity in annual report; QUANTITYWEB is the CSR disclosure quantity for CSR stand-alone report and CSR section on corporate website; QUANTITYALL is the total score of quantity for all reports; BC is the proportion of independent directors to the total number of directors on Board, COM is the presence of CSR board committees; ASS is the presence of CSR assurance statement; LIST is if the firm is dually listed overseas; SUB is the proportion of subsidiaries operating overseas; and MCAP is market capitalization indicated in US dollars.

6.5.2 Control for Foreign Ownership and Institutional Ownership

The following analyses incorporated two additional variables (foreign ownership (ADR) and institutional ownership (INSTV) in the original model because the results of the main model have suggested that listing status (LIST) significantly enhanced CSR reporting. In addition, the regression analyses by country indicated that proxies for globalization and business complexity (LIST and SUB) are important in CSR reporting models. Thus, the following tests examine if the quality and quality of CSR reporting increase with foreign shareholdings (or foreign ownership) and institutional holdings. ADR is measured by the existence of American Depository Receipt or Global Depository Receipt whereas INSTV is measured by the proportion of institutional ownership to the total shares.

The findings in Table 6.12 (Panel A) shows a positive influence of foreign ownership (ADR) on the CSR information quality ($p = 0.089$ and 0.039, respectively, for QUALITYAR and QUALITYALL). The results show that, across countries, there appears to be no influence stemming from institutional ownership. The explanatory power of the new models is higher than that of the original models (R^2 are 70.3% and 60.9% as opposed to 67.8% and 57%, respectively, for QUALITYALL and QUANTITY ALL). Thus, it is suggested that the CSR reporting model should incorporate foreign shareholdings (or ownership) as one of the control variables. The correlation co-efficient values for masculinity (MAS) are significant in all models (except for QUALITYAR). It is shown that companies operating in a society with high masculinity level disclosed less quality and quantity of CSR information across all reports (correlations are negative in all model except for QUANTITYAR). The result is consistent with the prediction that a society with feminine values put high emphasis on the CSR issues (see Van Der Laan Smith et al., 2005). This result seems conflicting with individualism. The collinearity diagnostic test shows that Variation Inflation Factor (VIF) for

MAS and IND are relatively higher than those in the original model.[108] Thus, cultural variables are tested separately in section 6.6.2. In regard to the governance structure, the relationship between board composition (BC) and QUALITYAR become insignificant. The remaining results in Table 6.12 are consistent with the main model. The followings examine the regression results by country.

In China, Table 6.12 (Panel B) shows that board composition (BC), assurance statement (ASS), and firm size (MCAP) enhance the quality and quantity of CSR reporting across reports (correlations of these variables are significant for QUALITYALL and QUANTITYALL). The quality of CSR reporting in corporate websites decreased with an increase in institutional ownership (t=-2.005; p=0.73 for QUALITYWEB). Foreign ownership (ADR) does not enhance CSR reporting in China as it does in other countries (correlations are not significant in all models). This result suggests that the setting of CSR reporting in China is unique. For example, CSR regulation in China lags behind in comparison with the other countries examined in this study. Companies with high board composition (BC) disclosed high quality and quantity of CSR information across all reports (coefficient values are positive for QUALITYWEB, QUALITYALL and QUANTITYALL). This is slightly different from the findings in Table 6.11 (Panel A). The remaining results are considerably consistent with the original results.

In India, institutional ownership reduced the quantity of CSR reporting of Indian corporations (correlations are significant in QUANTITYWEB and QUANTITYALL). Foreign shareholdings improved the quality and quantity of the disclosures across all reports (coefficient values are positive in QUALITYALL and QUANTITYALL). The existence of

[108] The highest VIF values found in this table are in the regression model of QUANTITYWEB: 8.29 and 8.13, respectively for MAS and IND.

government shares is not influential in this test; this result is different from the main result in Table 6.11 (Panel B). The rests of the findings are consistent with those in Table 6.11.

Malaysian corporations that are owned by institutional investors (INSTV) disclosed high quality of CSR information. The quality and quantity of CSR disclosure in annual reports also increased with foreign shareholdings (correlations for ADR are significant in QUALITYAR and QUANTITYAR). However, the results show no support for GOVT. Thus, the result in Table 6.12 Panel D is different from those in Table 6.11 (Panel C). The finding for GOVT in Panel D is similar to findings in India, that with the inclusion of INSTV, the correlation co-efficient values of GOVT become insignificant.

Finally, the existence of institutional investors in the UK corporations is not influential in the CSR reporting (correlation for INSTV is not significant in all models). Foreign shareholdings improve the quality of CSR disclosures in corporate websites (t=2.369; p=0.023). The table shows that the model does not explain CSR disclosures in annual reports of the UK corporations (p is not significant for QUANTITYAR and QUALITYAR). Overall results are consistent with the findings in Table 6.11.[109]

[109] In addition to these tests, analyses on the government ownership using percentage of shares (for companies in China, Malaysia and India) have been performed. No significant difference in results has been shown. Results were not reported.

Table 6.12: Panel A: Regression Results Controlling for Foreign Investment and Institutional Ownership

Equation (x) CSR= $\beta_o + \beta_1 BC + \beta_2 COM + \beta_3 GOVT + \beta_4 IND + B_5 MAS + \beta_6 BIG4 + \beta_7 ASS + \beta_8 LIST + \beta_9 SUB + \beta_{10} MCAP + \beta_{11} ADR + \beta_{12} INSTV + \varepsilon$

		QUALITYAR		QUALITYWEB		QUALITYALL		QUANTITYAR		QUANTITYWEB		QUANTITYALL	
		t	Sig.	t	Sig.	t	Sig.	t	Sig.	t	Sig.	t	Sig.
(Constant)		3.550	.001	-.255	.800	1.782	.077	-.321	.749	-.478	.634	-.239	.812
BC	(+/-)	-1.423	.157	.210	.834	-.724	.470	.896	.371	-.675	.501	-.562	.575
COM	(+/-)	**2.810**	**.006*** **	**2.639**	**.010** **	**4.292**	**.000*** **	**2.055**	**.041** **	**1.877**	**.063***	**3.358**	**.001*** **
GOVT	(+/-)	**1.764**	**.080***	.727	.469	**1.983**	**.049** **	-.030	.976	.714	.477	.590	.556
IND	(+/-)	**3.554**	**.000*** **	**2.070**	**.041** **	**4.205**	**.000*** **	**3.987**	**.000*** **	**1.696**	**.093***	**3.849**	**.000*** **
MAS	(+/-)	.670	.504	**-1.886**	**.062***	**-2.226**	**.027** **	**-2.993**	**.003*** **	**-1.804**	**.074***	**-2.982**	**.003*** **
BIG4	(+)	**1.924**	**.056***	1.354	.179	**2.218**	**.028** **	**2.222**	**.028** **	.900	.370	**1.915**	**.057***
ASS	(+)	**1.817**	**.071***	**8.369**	**.000*** **	**9.221**	**.000*** **	1.155	.250	**5.400**	**.000*** **	**7.482**	**.000*** **
LIST	(+)	1.103	.272	**1.761**	**.081***	**2.719**	**.007*** **	**1.795**	**.075***	1.082	.282	**2.169**	**.032** **
SUB	(+)	-.042	.967	.530	.598	.587	.558	.856	.393	1.538	.127	**1.918**	**.057***
MCAP	(+)	-.844	.400	.204	.838	-.102	.919	-.520	.604	1.458	.148	1.327	.186
ADR		**1.712**	**.089***	1.020	.310	**2.080**	**.039** **	.719	.473	.437	.663	1.091	.277
INSTV		-.374	.709	-.359	.720	.102	.919	1.111	.268	-.281	.779	.915	.362
N		178		118		178		178		118		178	
Adjusted R^2		.412		.606		.703		.280		.418		.609	
F-statistic		11.349		15.965		35.945		6.741		7.999		23.930	
Sig		**0.000**		**0.000**		**0.000**		**0.000**		**0.000**		**0.000**	

*Correlation is significant at the 0.1 level (2-tailed). **Correlation is significant at the 0.05 level (2-tailed). ***Correlation is significant at the 0.01 level (2-tailed). QUALITYAR is the CSR disclosure quality in annual report; QUALITYWEB is the CSR disclosure quality for CSR stand-alone report and CSR section on corporate website; QUALITYALL is the total score of quality for all reports; QUANTITYAR is the CSR disclosure quantity in annual report; QUANTITYWEB is the CSR disclosure quantity for CSR stand-alone report and CSR section on corporate website; QUANTITYALL is the total score of quantity for all reports; BC is the proportion of independent directors to the total number of directors on Board, COM is the presence of CSR board committees; GOVT is if the company is owned by the government; IND is individualism score as obtained from Hofstede (2001); MAS is the masculinity score obtained from Hofstede (2001); BIG4 is if the company annual report is audited by a BIG4 firm; ASS is the presence of CSR assurance statement; LIST is if the firm is dually listed overseas; SUB is the proportion of subsidiaries operating overseas; and MCAP is market capitalization indicated in US dollars; ADR is the proxy for foreign ownership: '1' if the capital structure consists of either American Depository Receipt or Global Depository Receipt, 0 otherwise; INSTV is the proportion of institutional investors in relation to the total amount of shareholdings.

Table 6.12: Panel B: Regression Results Controlling for Foreign Investment and Institutional Ownership: China

Equation (x) CSR= $\beta_o + \beta_1 BC + \beta_2 COM + \beta_3 GOVT + \beta_4 BIG4 + \beta_5 ASS + \beta_6 LIST + \beta_7 SUB + \beta_8 MCAP + \beta_9 ADR + \beta_{10} INSTV + \varepsilon$

		QUALITYAR		QUALITYWEB		QUALITYALL		QUANTITYAR		QUANTITYWEB		QUANTITYALL	
		t	Sig.	t	Sig.	t	Sig.	t	Sig.	t	Sig.	t	Sig.
(Constant)		1.371	.179	-1.546	.153	-1.155	.256	-.020	.984	-.017	.987	-2.310	.027
BC	(+/-)	.141	.888	**3.177**	**.010****	**2.405**	**.022****	1.122	.270	1.453	.177	**2.452**	**.019****
COM	(+/-)	.221	.826	-.064	.950	.224	.824	.624	.537	-1.716	.117	-.419	.678
GOVT	(+/-)	.889	.380	.174	.865	1.104	.277	.669	.508	**2.043**	**.068***	1.632	.112
BIG4	(+)	.775	.444	1.314	.218	1.618	.115	1.264	.215	.065	.950	**2.128**	**.040****
ASS	(+)	1.612	.116	**3.922**	**.003*****	**4.371**	**.000*****	.930	.359	**2.402**	**.037****	**4.996**	**.000*****
LIST	(+)	.717	.478	1.345	.208	1.407	.168	.163	.871	-.106	.918	.752	.457
SUB	(+)	-.590	.559	1.019	.332	.423	.675	.095	.925	-.606	.558	1.163	.253
MCAP	(+)	.676	.504	**2.924**	**.015****	**2.938**	**.006*****	-.785	.438	**2.085**	**.064***	**3.185**	**.003*****
INSTV		-.809	.424	**-2.005**	**.073***	-1.358	.183	-1.019	.315	-.926	.376	-.692	.494
ADR		-.234	.817	-1.400	.192	-.848	.402	-.377	.708	-1.104	.295	-1.171	.249
N		46		21		46		46		21		46	
Adjusted R^2		.030		.695		.567		-.036		.416		.596	
F-statistic		1.141		5.563		6.889		.844		2.422		7.630	
Sig		0.361		**0.006**		**0.000**		0.591		**0.090**		**0.000**	

*Correlation is significant at the 0.1 level (2-tailed). **Correlation is significant at the 0.05 level (2-tailed). ***Correlation is significant at the 0.01 level (2-tailed. QUALITYAR is the CSR disclosure quality in annual report; QUALITYWEB is the CSR disclosure quality for CSR stand-alone report and CSR section on corporate website; QUALITYALL is the total score of quality for all reports; QUANTITYAR is the CSR disclosure quantity in annual report; QUANTITYWEB is the CSR disclosure quantity for CSR stand-alone report and CSR section on corporate website; QUANTITYALL is the total score of quantity for all reports; BC is the proportion of independent directors to the total number of directors on Board, COM is the presence of CSR board committees; GOVT is if the company is owned by the government; BIG4 is if the company annual report is audited by a BIG4 firm; ASS is the presence of CSR assurance statement; LIST is if the firm is dually listed overseas; SUB is the proportion of subsidiaries operating overseas; and MCAP is market capitalization indicated in US dollars. ADR is the proxy for foreign ownership: '1' if the capital structure consists of either American Depository Receipt or Global Depository Receipt, 0 otherwise; INSTV is the proportion of institutional investors in relation to the total amount of shareholdings.

Table 6.12: Panel C: Regression Results Controlling for Foreign Investment and Institutional Ownership: India

Equation (x) CSR= $\beta_o + \beta_1 BC + \beta_2 COM + \beta_3 GOVT + \beta_4 BIG4 + \beta_5 ASS + \beta_6 LIST + \beta_7 SUB + \beta_8 MCAP + \beta_9 ADR + \beta_{10} INSTV + \varepsilon$

		QUALITYAR		QUALITYWEB		QUALITYALL		QUANTITYAR		QUANTITYWEB		QUANTITYALL	
		t	Sig.	t	Sig.	t	Sig.	t	Sig.	t	Sig.	t	Sig.
(Constant)		1.953	0.060	1.353	.197	1.030	.311	1.047	.303	2.170	.048	1.791	.083
BC	(+/-)	-1.129	.267	.089	.930	-.102	.919	1.555	.130	-1.317	.209	-.066	.948
COM	(+/-)	1.359	.184	.692	.500	**2.451**	**.020****	1.186	.244	**3.792**	**.002*****	**4.444**	**.000*****
GOVT	(+/-)	1.183	.246	-.653	.524	1.505	.142	-1.652	.109	1.220	.242	.423	.675
BIG4	(+)	-.521	.606	1.715	.108	.063	.950	.304	.763	**3.542**	**.003*****	**1.729**	**.094***
ASS	(+)	-.496	.623	**6.034**	**.000*****	**4.496**	**.000*****	-1.000	.325	**4.608**	**.000*****	**3.826**	**.001*****
LIST	(+)	1.040	.306	**2.427**	**.029****	**4.693**	**.000*****	**1.742**	**.091***	1.109	.286	**3.291**	**.002*****
SUB	(+)	-.285	.778	**-1.924**	**.075***	-1.250	.221	**-1.721**	**.095***	**-1.785**	**.096***	**-2.337**	**.026****
MCAP	(+)	**1.993**	**.055***	-.595	.561	1.334	.192	**4.006**	**.000*****	-1.013	.328	1.358	.184
INSTV		-.290	.774	1.158	.266	.431	.670	-1.558	.129	**-2.302**	**.037****	**-2.412**	**.022****
ADR		1.309	.200	-.594	.562	**1.791**	**.083***	.781	.441	.680	.508	**2.194**	**.036****
N		42		25		42		42		25		42	
Adjusted R^2		.172		.904		.828		.344		.918		.849	
F-statistic		1.849		23.531		20.742		3.151		27.827		24.123	
Sig		**0.093**		**0.000**		**0.000**		**0.007**		**0.000**		**0.000**	

*Correlation is significant at the 0.1 level (2-tailed). **Correlation is significant at the 0.05 level (2-tailed). ***Correlation is significant at the 0.01 level (2-tailed). QUALITYAR is the CSR disclosure quality in annual report; QUALITYWEB is the CSR disclosure quality for CSR stand-alone report and CSR section on corporate website; QUALITYALL is the total score of quality for all reports; QUANTITYAR is the CSR disclosure quantity in annual report; QUANTITYWEB is the CSR disclosure quantity for CSR stand-alone report and CSR section on corporate website; QUANTITYALL is the total score of quantity for all reports; BC is the proportion of independent directors to the total number of directors on Board, COM is the presence of CSR board committees; GOVT is if the company is owned by the government; BIG4 is if the firm annual report is audited by a BIG4 firm; ASS is the presence of CSR assurance statement; LIST is if the firm is dually listed overseas; SUB is the proportion of subsidiaries operating overseas; and MCAP is market capitalization indicated in US dollars; ADR is the proxy for foreign ownership: '1' if the capital structure consists of either American Depository Receipt or Global Depository Receipt, 0 otherwise; INSTV is the proportion of institutional investors in relation to the total amount of shareholdings.

Table 6.12: Panel D: Regression Results Controlling for Foreign Investment and Institutional Ownership by Country: Malaysia

Equation (x) CSR= $\beta_o + \beta_1 BC + \beta_2 COM + \beta_3 GOVT + \beta_4 BIG4 + \beta_5 ASS + \beta_6 LIST + \beta_7 SUB + \beta_8 MCAP + \beta_9 ADR + \beta_{10} INSTV + \varepsilon$

		QUALITYAR		QUALITYWEB		QUALITYALL		QUANTITYAR		QUANTITYWEB		QUANTITYALL	
		t	Sig.	t	Sig.	t	Sig.	t	Sig.	t	Sig.	t	Sig.
(Constant)		.811	.424	-1.111	.287	.017	.986	.306	.762	-.514	.616	-.059	.954
BC	(+/-)	.360	.722	-1.052	.312	-.233	.817	.332	.742	-1.330	.206	-.865	.394
COM	(+/-)	.832	.412	-.633	.538	.367	.716	.542	.591	.385	.706	.350	.728
GOVT	(+/-)	-.089	.930	-.330	.747	.218	.828	.448	.657	-.358	.726	.630	.533
BIG4	(+)	-.062	.951	1.704	.112	.364	.719	.022	.982	1.434	.175	.670	.508
ASS	(+)	1.071	.293	**3.391**	**.005****	**4.491**	**.000*****	1.194	.242	.383	.708	1.643	.110
LIST	(+)	**4.464**	**.000*****	**2.214**	**.045****	**3.670**	**.001*****	**2.287**	**.029****	.414	.686	**1.824**	**.078***
SUB	(+)	-.780	.442	-.080	.937	-.157	.876	-.378	.708	.380	.710	.678	.503
MCAP	(+)	.767	.449	**2.005**	**.066***	1.517	.139	-.050	.961	1.454	.170	1.053	.300
INSTV		1.408	.169	**1.974**	**.070***	**2.460**	**.020****	1.526	.137	.944	.362	1.623	.115
ADR		**1.839**	**.076***	-.337	.741	.882	.384	**2.545**	**.016****	-.594	.563	.572	.572
N		42		24		42		42		24		42	
Adjusted R^2		.569		.546		.614		.362		-.115		.257	
F-statistic		6.424		3.762		7.511		3.330		.762		2.417	
Sig		0.000		0.014		0.000		0.005		0.662		0.029	

*Correlation is significant at the 0.1 level (2-tailed). **Correlation is significant at the 0.05 level (2-tailed). ***Correlation is significant at the 0.01 level (2-tailed). QUALITYAR is the CSR disclosure quality in annual report; QUALITYWEB is the CSR disclosure quality for CSR stand-alone report and CSR section on corporate website; QUALITYALL is the total score of quality for all reports; QUANTITYAR is the CSR disclosure quantity in annual report; QUANTITYWEB is the CSR disclosure quantity for CSR stand-alone report and CSR section on corporate website; QUANTITYALL is the total score of quantity for all reports; BC is the proportion of independent directors to the total number of directors on Board, COM is the presence of CSR board committees; GOVT is if the company is owned by the government; BIG4 is if the company annual report is audited by a BIG4 firm; ASS is the presence of CSR assurance statement; LIST is if the firm is dually listed overseas; SUB is the proportion of subsidiaries operating overseas in relation to the total number of subsidiaries; and MCAP is market capitalization indicated in US dollars; ADR is the proxy for foreign ownership: '1' if the capital structure consists of either American Depository Receipt or Global Depository Receipt, 0 otherwise; INSTV is the proportion of institutional investors in relation to the total amount of shareholdings.

Table 6.12: Panel E: Regression Results Controlling for Foreign Investment and Institutional Ownership by Country: United Kingdom

Equation (x) CSR= $\beta_o + \beta_1 BC + \beta_2 COM + \beta_3 ASS + \beta_4 LIST + \beta_5 SUB + \beta_6 MCAP + \beta_7 ADR + \beta_8 INSTV + \varepsilon$

		QUALITYAR		QUALITYWEB		QUALITYALL		QUANTITYAR		QUANTITYWEB		QUANTITYALL	
		t	Sig.	t	Sig.	t	Sig.	t	Sig.	t	Sig.	t	Sig.
(Constant)		4.051	.000	.444	.659	2.878	.006	2.334	.025	-.352	.727	.513	.611
BC	(+/-)	-1.686	.100	.980	.333	.533	.597	**-2.081**	**.044****	.764	.450	-.027	.979
COM	(+/-)	1.330	.191	-.161	.873	.400	.691	1.367	.180	.247	.806	.734	.467
ASS	(+)	**2.281**	**.028****	**4.014**	**.000*****	**4.526**	**.000*****	1.281	.208	**1.901**	**.065***	**2.286**	**.028****
LIST	(+)	.281	.780	.792	.433	1.359	.182	1.262	.214	.682	.499	1.113	.273
SUB	(+)	1.018	.315	-.587	.561	-.076	.939	**1.890**	**.066***	1.115	.271	**1.756**	**.087***
MCAP	(+)	**-1.867**	**.069***	-.088	.930	-.606	.548	-.906	.371	1.497	.143	1.103	.277
INSTV		-1.150	.257	-.262	.795	-1.517	.137	1.352	.184	-.925	.361	-.393	.696
ADR		-.814	.421	**2.369**	**.023****	1.680	.101	.004	.997	.343	.734	.329	.744
N		48		48		48		48		48		48	
Adjusted R^2		.078		.346		.386		.124		.229		.283	
F-statistic		1.500		4.113		4.697		1.831		2.750		3.319	
Sig		0.189		0.001		0.000		0.100		0.016		0.005	

*Correlation is significant at the 0.1 level (2-tailed). **Correlation is significant at the 0.05 level (2-tailed). ***Correlation is significant at the 0.01 level (2-tailed). QUALITYAR is the CSR disclosure quality in annual report; QUALITYWEB is the CSR disclosure quality for CSR stand-alone report and CSR section on corporate website; QUALITYALL is the total score of quality for all reports; QUANTITYAR is the CSR disclosure quantity in annual report; QUANTITYWEB is the CSR disclosure quantity for CSR stand-alone report and CSR section on corporate website; QUANTITYALL is the total score of quantity for all reports; BC is the proportion of independent directors to the total number of directors on Board, COM is the presence of CSR board committees; ASS is the presence of CSR assurance statement; LIST is if the firm is dually listed overseas; SUB is the proportion of subsidiaries operating overseas; and MCAP is market capitalization indicated in US dollars; ADR is the proxy for foreign ownership: '1' if the capital structure consists of either American Depository Receipt or Global Depository Receipt, 0 otherwise; INSTV is the proportion of institutional investors in relation to the total amount of shareholdings.

6.5.3 Endogeneity Issues

A potential problem that may occur in the main model is endogeneity; i.e. the possibility that the dependent variable (CSR reporting) may influence any one of the independent variables. To illustrate this point, this thesis reports that the existence of an assurance statement enhances the quality and quantity of CSR disclosure. Yet, it can be argued that it is the CSR disclosure that causes a company to purchase the assurance service. Therefore, CSR reporting may influence ASS. To investigate the possibility of this problem, following Chau and Gray (2010), this thesis ran a regression analysis of ASS on all of the exogenous variables to obtain the predicted value to arrive at the residual of ASS.[110] CSR reporting has been regressed on the COM, BC, GOVT, IND and MAS, ASS, ASS residual and other instrumental variables (BIG4, LIST, SUB and MCAP). The results indicate that the coefficient of the ASS residual is significant in the models, indicating that the results in Table 6.8 have been affected by endogeneity. To account for this problem, this thesis performed 2-stage ordinary least-square (OLS) tests (Hausman, 1978). In the first stage, the endogenous variable (ASS) was regressed on all exogenous variables to arrive at the predicted value of ASS (refers to as LAMBDA). In the second stage, LAMBDA was included in the main regression model and the tests were re-run. Table 6.13 (Panel B) presents the results. Overall, the table shows that the results after controlling for endogeneity are very similar to the findings reported in Table 6.8. Therefore, findings in this thesis are robust.

[110] This procedure also follows Hay and Jeter (2011).

Table 6.13: Panel A: Regression Results Controlling for Endogeneity Issues

Equation (x) ASS= $\beta_o + \beta_1 GOVT + \beta_2 IND + \beta_3 MAS + \beta_4 BIG4 + \beta_5 COM + \beta_6 BC + \beta_7 LIST + \beta_8 SUB + \beta_9 MCAP + \varepsilon$

	t	Sig.
(Constant)	3.084	.002
GOVT	.220	.826
IND	**2.473**	**.014****
MAS	-.769	.443
BIG4	.710	.479
COM	**3.027**	**.003*****
BC	-.873	.384
LIST	.892	.374
SUB	.421	.675
MCAP	-.222	.825
N	203	
Adjusted R^2	.280	
F-statistic	9.714	
Sig	**0.000**	

*Correlation is significant at the 0.1 level (2-tailed). **Correlation is significant at the 0.05 level (2-tailed). ***Correlation is significant at the 0.01 level (2-tailed). QUALITYAR is the CSR disclosure quality in annual report; BC is the proportion of independent directors to the total number of directors on Board, COM is the presence of CSR board committees; GOVT is if the company is owned by the government; BIG4 is if the company annual report is audited by a BIG4 firm; LIST is if the firm is dually listed overseas; SUB is the number of subsidiaries operating overseas in relation to the total number of subsidiaries; and MCAP is market capitalization indicated in US dollars. BIG4 is if the firm annual report is audited by a BIG4 firm; ASS is the presence of CSR assurance statement; LIST is if the firm is dually listed overseas; SUB is the proportion of subsidiaries operating overseas; and MCAP is market capitalization indicated in US dollars.

Table 6.13: Panel B: Regression Results Controlling for Endogeneity Issues

Equation (x) CSR= $\beta_o + \beta_1 BC + \beta_2 COM + \beta_3 GOVT + \beta_4 IND + B_5 MAS + \beta_6 BIG4 + \beta_7 ASS + \beta_8 LIST + \beta_9 SUB + \beta_{10} MCAP + \beta_{11} LAMBDA + \varepsilon$

	QUALITYAR		QUALITYWEB		QUALITYALL		QUANTITYAR		QUANTITYWEB		QUANTITYALL	
	t	Sig.	t	Sig.	t	Sig.	t	Sig.	t	Sig.	t	Sig.
(Constant)	5.468	.000	2.237	.027	5.616	.000	-.005	.996	1.095	.276	2.214	.028
BC	**-1.890**	**.060***	-.587	.558	**-1.686**	**.094***	.661	.509	-.984	.327	-1.052	.294
COM	**3.340**	**.001*****	**4.951**	**.000*****	**7.044**	**.000*****	**2.698**	**.008*****	**3.513**	**.001*****	**5.724**	**.000*****
GOVT	**2.200**	**.029****	.645	.520	**2.455**	**.015****	.710	.479	1.093	.276	1.322	.188
IND	**4.501**	**.000*****	**3.365**	**.001*****	**6.153**	**.000*****	**4.693**	**.000*****	**2.596**	**.011****	**5.592**	**.000*****
MAS	.262	.794	1.086	.280	.970	.333	**-3.635**	**.000*****	1.254	.212	**-2.478**	**.014****
BIG4	**2.391**	**.018****	1.608	.110	**3.043**	**.003*****	**3.021**	**.003*****	1.009	.315	**2.859**	**.005*****
LIST	1.542	.125	**2.360**	**.020****	**3.493**	**.001*****	**2.193**	**.030****	**1.775**	**.078***	**3.147**	**.002*****
SUB	.152	.879	.642	.522	.971	.333	.676	.500	**1.720**	**.088***	**2.187**	**.030****
MCAP	**-1.929**	**.055***	1.187	.238	.693	.489	-1.141	.255	.611	.542	.390	.697
LAMBDA	1.531	.127	**9.224**	**.000*****	**9.856**	**.000**	.821	.413	**6.276**	**.000*****	**8.035**	**.000*****
N	203		135		203		203		135		203	
Adjusted R^2	.388		.612		.692		.262		.427		.594	
F-statistic	13.806		22.146		46.390		8.172		10.968		30.559	
Sig	**0.000**		**0.000**		**0.000**		**0.000**		**0.000**		**0.000**	

*Correlation is significant at the 0.1 level (2-tailed). **Correlation is significant at the 0.05 level (2-tailed). ***Correlation is significant at the 0.01 level (2-tailed). QUALITYAR is the CSR disclosure quality in annual report; QUALITYWEB is the CSR disclosure quality for CSR stand-alone report and CSR section on corporate website; QUALITYALL is the total score of quality for all reports; QUANTITYAR is the CSR disclosure quantity in annual report; QUANTITYWEB is the CSR disclosure quantity for CSR stand-alone report and CSR section on corporate website; QUANTITYALL is the total score of quantity for all reports; BC is the proportion of independent directors to the total number of directors on Board, COM is the presence of CSR board committees; GOVT is if the company is owned by the government; IND is the individualism score as obtained from Hofstede (2001); MAS is the masculinity score obtained from Hofstede (2001); BIG4 is if the company annual report is audited by a BIG4 firm; ASS is the presence of CSR assurance statement; LIST is if the firm is dually listed overseas; SUB is the proportion of subsidiaries operating overseas; and MCAP is market capitalization indicated in US dollars; LAMBDA is the predicted value of ASS.

6.6 Alternative Models

6.6.1 Alternative to Interaction Variables

To check for the robustness of the results with the interaction variables in Tables 6.9 and 6.10, the interaction variables were replaced by regression tests on specific sample groups. For H_{3b}, data was split into two groups: companies with CSR board committees and companies without CSR board committees. The regression analyses were re-run on these two groups. Table 6.14 (Panel A) presents the regression results for companies with CSR board committees. The table shows that the correlations between IND and CSR reporting are positive in all models except for QUANTITYWEB. Thus, the presence of CSR board committees in companies operating in an individualistic society (IND) enhances the quality and quantity of CSR information. Table 6.14 (Panel B) presents the regression results for companies without CSR board committees. In Panel B, it is shown that IND and CSR reporting are not correlated. Thus, culture does not explain CSR reporting in cases of companies without CSR board committees. Accordingly, it is suggested that individualism interacts with CSR reporting.

Table 6.14: Regression Results with Alternative Model for H3b

Panel A : Companies with CSR board committees

Equation (x) CSR= $\beta_o + \beta_1 BC + \beta_2 GOVT + \beta_3 IND + -\beta_4 BIG4 + B_5 ASS + \beta_6 LIST + \beta_7 SUB + \beta_8 MCAP + \varepsilon$

		QUALITYAR		QUALITYWEB		QUALITYALL		QUANTITYAR		QUANTITYWEB		QUANTITYALL	
		t	**Sig.**	**t**	**Sig.**	**t**	**Sig.**	**t**	**Sig.**	**t**	**Sig.**	**t**	**Sig.**
(Constant)		4.909	.000	1.662	.101	4.270	.000	2.145	.034	1.038	.303	2.573	.011
BC	(+/-)	-.821	.413	.513	.610	-.506	.614	.697	.487	-.241	.810	-.164	.870
GOVT	(+/-)	**3.059**	**0.003*** **	1.058	.294	**2.743**	**0.007*** **	1.630	.105	**1.673**	**0.098***	**2.072**	**0.04** **
IND	(+/-)	**4.486**	**0.000*** **	**2.315**	**0.023** **	**4.438**	**0.000*** **	**2.672**	**0.008*** **	1.228	.223	**3.201**	**0.002*** **
BIG4	(+)	**2.208**	**0.029** **	1.308	.195	**2.935**	**0.004*** **	**3.150**	**0.002*** **	1.260	.212	**2.960**	**0.004*** **
ASS	(+)	1.597	.112	**7.377**	**0.000*** **	**8.035**	**0.000*** **	-.847	.398	**4.700**	**0.000*** **	**5.993**	**0.000*** **
LIST	(+)	-.028	.978	**1.795**	**0.077***	**2.215**	**0.028** **	-.915	.362	.175	.862	-.035	.972
SUB	(+)	-.242	.809	.338	.736	.707	.481	.747	.457	.891	.376	1.119	.265
MCAP	(+)	.725	.470	-1.448	.152	-.103	.918	1.374	.172	-.232	.817	.213	.832
Adjusted R^2		.276		.629		.609		.132		.400		.474	
N		55		52		55		55		52		55	
F-statistic		7.988		18.397		29.679		3.803		7.839		17.572	
Sig		**0.000**		**0.000**		**0.000**		**0.000**		**0.000**		**0.000**	

*Correlation is significant at the 0.1 level (2-tailed). **Correlation is significant at the 0.05 level (2-tailed). ***Correlation is significant at the 0.01 level (2-tailed). QUALITYAR is the CSR disclosure quality in annual report; QUALITYWEB is the CSR disclosure quality for CSR stand-alone report and CSR section on corporate website; QUALITYALL is the total score of quality for all reports; QUANTITYAR is the CSR disclosure quantity in annual report; QUANTITYWEB is the CSR disclosure quantity for CSR stand-alone report and CSR section on corporate website; QUANTITYALL is the total score of quantity for all reports; BC is the proportion of independent directors to the total number of directors on Board; GOVT is if the company is owned by the government; IND is the individualism score as obtained from Hofstede (2001); BIG4 is if the company annual report is audited by a BIG4 firm; ASS is the presence of CSR assurance statement; LIST is if the firm is dually listed overseas; SUB is the proportion of subsidiaries operating overseas; and MCAP is market capitalization indicated in US dollars.

Table 6.14: Regression Results with Alternative Model for H3b

Panel B: Companies without CSR board committees

Equation (x) CSR= $\beta_o + \beta_1 BC + \beta_2 GOVT + \beta_3 IND + -\beta_4 BIG4 + B_5 ASS + \beta_6 LIST + \beta_7 SUB + \beta_8 MCAP + \varepsilon$

		QUALITYAR		**QUALITYWEB**		**QUALITYALL**		**QUANTITYAR**		**QUANTITYWEB**		**QUANTITYALL**	
		t	**Sig.**	**t**	**Sig.**	**t**	**Sig.**	**t**	**Sig.**	**t**	**Sig.**	**t**	**Sig.**
(Constant)		2.513	.016	2.658	.011	4.009	.000	.635	.529	1.355	.183	1.615	.113
BC	(+/-)	-1.489	.143	-.517	.608	-1.056	.296	.353	.726	-.627	.534	-.514	.610
GOVT	(+/-)	**-1.942**	**0.058***	-.005	.996	.182	.856	-1.334	.189	.307	.761	-.046	.964
IND	(+/-)	.468	.642	.237	.814	1.212	.232	.197	.844	.362	.719	.467	.643
BIG4	(+)	**1.813**	**0.076***	-.991	.327	-.786	.436	.575	.568	-.868	.390	-.626	.534
ASS	(+)	.777	.441	**4.087**	**0.000*****	**4.136**	**0.000*****	.975	.335	**3.070**	**0.004*****	**3.726**	**0.001*****
LIST	(+)	1.354	.182	1.290	.204	**1.779**	**0.082***	1.829	.074	1.156	.254	**1.942**	**0.058***
SUB	(+)	.137	.892	.169	.867	.321	.750	.456	.650	1.363	.180	1.636	.109
MCAP	(+)	-1.007	.319	.682	.499	.308	.759	-.812	.421	.176	.861	-.177	.860
Adjusted R^2		.217		.253		.304		.101		.153		.301	
N		148		83		148		148		83		148	
F-statistic		2.876		3.158		3.943		1.757		2.149		3.907	
Sig		**0.011**		**0.007**		**0.001**		.111		**0.051**		**0.001**	

*Correlation is significant at the 0.1 level (2-tailed). **Correlation is significant at the 0.05 level (2-tailed). ***Correlation is significant at the 0.01 level (2-tailed). QUALITYAR is the CSR disclosure quality in annual report; QUALITYWEB is the CSR disclosure quality for CSR stand-alone report and CSR section on corporate website; QUALITYALL is the total score of quality for all reports; QUANTITYAR is the CSR disclosure quantity in annual report; QUANTITYWEB is the CSR disclosure quantity for CSR stand-alone report and CSR section on corporate website; QUANTITYALL is the total score of quantity for all reports; BC is the proportion of independent directors to the total number of directors on Board; GOVT is if the company is owned by the government; IND is the individualism score as obtained from Hofstede (2001); BIG4 is if the company annual report is audited by a BIG4 firm; ASS is the presence of CSR assurance statement; LIST is if the firm is dually listed overseas; SUB is the proportion of subsidiaries operating overseas; and MCAP is market capitalization indicated in US dollars.

The following tests examine CSR reporting of two sample groups: government-owned companies and non-government-owned companies. These tests analyse the robustness of the interaction model for H_{4b}. The regression tests were re-run on these two groups. Table 6.15 (Panel A) shows that the non-government-owned companies operating in an individualistic society provide a high quality and quantity CSR sentences. In Panel B, it is shown CSR reporting for the government-owned corporations is not influenced by individualism. However, the models do not explain the quality and quantity of CSR disclosures on annual reports (p-values for QUALITYAR and QUANTITYAR are not significant). In addition, the model does not describe the number of CSR sentences disclosed on CSR stand-alone reports and corporate websites (QUANTITYWEB). The result provides support for the interaction of government shares on CSR reporting. Taken together, it is suggested that individualism (IND) interacts with CSR reporting. The robustness tests add to the understanding of H_{4b}.

Table 6.15: Regression Results with Alternative Model for H4b

Panel A: Private Companies

Equation (x) CSR= $\beta_o + \beta_1 BC + \beta_2 COM + \beta_3 IND + -\beta_4 BIG4 + B_5 ASS + \beta_6 LIST + \beta_7 SUB + \beta_8 MCAP + \varepsilon$

		QUALITYAR		QUALITYWEB		QUALITYALL		QUANTITYAR		QUANTITYWEB		QUANTITYALL	
		t	**Sig.**	**t**	**Sig.**	**t**	**Sig.**	**t**	**Sig.**	**t**	**Sig.**	**t**	**Sig.**
(Constant)		4.284	.000	1.929	.056	3.816	.000	1.356	.177	.819	.415	1.421	.157
BC	(+/-)	-1.032	.304	.320	.749	-.087	.931	1.281	.202	-.515	.608	.020	.984
COM	(+/-)	**3.550**	**0.001*** **	**2.455**	**0.016** **	**4.459**	**0.000*** **	**2.746**	**0.007*** **	**2.104**	**.038**	**3.798**	**0.000*** **
IND	(+/-)	**4.099**	**0.000*** **	**1.904**	**0.060***	**4.018**	**0.000*** **	**1.685**	**0.09***	.435	.664	**1.825**	**0.07***
BIG4	(+)	**2.468**	**0.015** **	.193	.848	**1.839**	**0.068***	1.135	.258	.049	.961	1.040	.300
ASS	(+)	**1.754**	**0.081***	**8.218**	**0.000*** **	**8.950**	**0.000*** **	.648	.518	**4.479**	**0.000*** **	**6.038**	**0.000*** **
LIST	(+)	1.310	.192	**1.940**	**0.055***	**2.851**	**0.005*** **	1.483	.140	.520	.604	1.532	.127
SUB	(+)	.491	.624	.598	.551	1.227	.221	.673	.502	**1.744**	**0.084***	**2.439**	**0.016** **
MCAP	(+)	-.908	.365	-1.412	.161	-1.598	.112	.295	.768	**1.746**	**0.084***	**1.658**	**0.091***
Adjusted R^2		.434		.618		.715		.258		.433		.605	
N		169		114		169		169		114		169	
F-statistic		17.111		23.827		53.633		8.293		11.793		33.144	
Sig		**0.000**		**0.000**		**0.000**		**0.000**		**0.000**		**0.000**	

*Correlation is significant at the 0.1 level (2-tailed). **Correlation is significant at the 0.05 level (2-tailed). ***Correlation is significant at the 0.01 level (2-tailed). QUALITYAR is the CSR disclosure quality in annual report; QUALITYWEB is the CSR disclosure quality for CSR stand-alone report and CSR section on corporate website; QUALITYALL is the total score of quality for all reports; QUANTITYAR is the CSR disclosure quantity in annual report; QUANTITYWEB is the CSR disclosure quantity for CSR stand-alone report and CSR section on corporate website; QUANTITYALL is the total score of quantity for all reports; BC is the proportion of independent directors to the total number of directors on Board; COM is the presence of CSR board committees; IND is the individualism score as obtained from Hofstede (2001); BIG4 is the company annual report is audited by a BIG4 firm; ASS is the presence of CSR assurance statement; LIST is if the firm is dually listed overseas; SUB is the proportion of subsidiaries operating overseas; and MCAP is market capitalization indicated in US dollars.

Table 6.15: Regression Results with Alternative Model for H4b

Panel B: Government-owned companies

Equation (x) CSR= $\beta_o + \beta_1 BC + \beta_2 COM + \beta_3 IND + -\beta_4 BIG4 + B_5 ASS + \beta_6 LIST + \beta_7 SUB + \beta_8 MCAP + \varepsilon$

		QUALITYAR		**QUALITYWEB**		**QUALITYALL**		**QUANTITYAR**		**QUANTITYWEB**		**QUANTITYALL**	
		t	**Sig.**	**t**	**Sig.**	**t**	**Sig.**	**t**	**Sig.**	**t**	**Sig.**	**t**	**Sig.**
(Constant)		3.756	.001	-.129	.899	3.898	.001	1.389	.177	-.057	.956	2.735	.011
BC	(+/-)	**-2.286**	**.031**	-1.159	.269	**-2.865**	**0.008*** **	-1.295	.207	-.848	.413	**-1.967**	**0.06***
COM	(+/-)	-.716	.481	.721	.485	1.283	.211	-1.411	.171	.182	.859	.259	.797
IND	(+/-)	.796	.434	.209	.838	1.006	.324	.187	.853	.126	.902	.997	.329
BIG4	(+)	.278	.784	-.202	.844	.923	.365	1.432	.165	-.117	.909	1.671	.107
ASS	(+)	.441	.663	**3.046**	**0.01*** **	**4.101**	**0.000*** **	-.288	.775	2.583	.024	**3.665**	**0.001*** **
LIST	(+)	-.866	.395	.317	.756	-.277	.784	-1.547	.134	.336	.742	-.306	.762
SUB	(+)	-.574	.571	-.029	.977	-.738	.467	-.302	.765	-.334	.744	-1.184	.247
MCAP	(+)	-.019	.985	.604	.557	1.550	.134	.382	.705	.233	.820	.936	.358
Adjusted R^2		.101		.482		.580		.124		.243		.453	
N		34		21		34		34		21		34	
F-statistic		1.464		3.326		6.694		1.584		1.804		4.415	
Sig		0.22		**0.03**		**0.000**		**0.18**		0.172		**0.002**	

*Correlation is significant at the 0.1 level (2-tailed). **Correlation is significant at the 0.05 level (2-tailed). ***Correlation is significant at the 0.01 level (2-tailed). QUALITYAR is the CSR disclosure quality in annual report; QUALITYWEB is the CSR disclosure quality for CSR stand-alone report and CSR section on corporate website; QUALITYALL is the total score of quality for all reports; QUANTITYAR is the CSR disclosure quantity in annual report; QUANTITYWEB is the CSR disclosure quantity for CSR stand-alone report and CSR section on corporate website; QUANTITYALL is the total score of quantity for all reports; BC is the proportion of independent directors to the total number of directors on Board, COM is the presence of CSR board committees; IND is the individualism score as obtained from Hofstede (2001); BIG4 is if the company annual report is audited by a BIG4 firm; ASS is the presence of CSR assurance statement; LIST is if the firm is dually listed overseas; SUB is the proportion of subsidiaries operating overseas; and MCAP is market capitalization indicated in US dollars.

6.6.2 Control for Industry Affiliation

As mentioned elsewhere in this thesis, industry affiliation is influential in the CSR reporting model. The literature suggests that companies that operate in environmentally sensitive industries provide high levels of CSR disclosure. In this analysis, the sample was split into two: companies operating in environmentally sensitive industries and those in socially sensitive industries.[111] Table 6.16 presents the results for environmentally sensitive industries. Overall, the table shows that the explanatory power of the new models is stronger than that of the original models (R^2 ranges between 26.1% and 70.1%). In relation to hypotheses testing, the table does not show any findings that are different from those shown in Table 6.8. Thus, the original model in this research is robust. For control variables, the table presents the fact that corporations whose reports were audited by Big4 auditors disclosed a high quality and quantity of CSR information. This result, which is more apparent than in the original model, demonstrates the significant role of auditors in an industry-specific environment.

[111] Thirteen companies were operating in socially-sensitive industries. This number is insufficient for regression analysis. Therefore, the results were not tabulated.

Table 6.16: Regression Results Conditional on Environmentally-sensitive Industries

Equation (x) CSR= $\beta_o + \beta_1 BC + \beta_2 COM + \beta_3 GOVT + \beta_4 IND + B_5 MAS + \beta_6 BIG4 + \beta_7 ASS + \beta_8 LIST + \beta_9 SUB + \beta_{10} MCAP + \varepsilon$

		QUALITYAR		QUALITYWEB		QUALITYALL		QUANTITYAR		QUANTITYWEB		QUANTITYALL	
		t	Sig	t	Sig.	t	Sig.	t	Sig.	t	Sig.	t	Sig.
(Constant)		6.123	.000	.720	.473	3.794	.000	.198	.844	.055	.956	.648	.518
BC	(+/-)	**-1.916**	**.057***	.061	.952	-1.115	.266	.566	.572	-.487	.627	-.494	.622
COM	(+/-)	1.103	.271	**2.246**	**.027****	**3.541**	**.001*****	1.569	.118	1.570	.119	**2.838**	**.005*****
GOVT	(+/-)	**2.681**	**.008*****	.654	.514	**2.515**	**.013****	.780	.436	1.061	.291	1.310	.192
IND	(+/-)	**4.519**	**.000*****	**1.933**	**.056***	**4.339**	**.000*****	**4.393**	**.000*****	**1.740**	**.085***	**4.061**	**.000*****
MAS	(+/-)	-.740	.460	1.044	.299	.818	.414	**-3.194**	**.002*****	1.311	.193	**-2.467**	**.015****
BIG4	(+)	**2.742**	**.007*****	1.178	.241	**2.670**	**.008*****	**2.874**	**.005*****	.854	.395	**2.531**	**.012****
ASS	(+)	**2.135**	**.034****	**8.706**	**.000*****	**10.026**	**.000*****	1.417	.158	**5.823**	**.000*****	**7.905**	**.000*****
LIST	(+)	.811	.418	1.610	.110	**2.328**	**.021****	1.580	.116	1.322	.189	**2.300**	**.023****
SUB	(+)	.296	.767	.600	.550	.995	.321	.821	.413	1.622	.108	**2.122**	**.035****
MCAP	(+)	-1.445	.150	1.420	.158	1.259	.210	-.775	.439	.774	.441	.777	.438
N		190		123		190		190		123		190	
Adjusted R^2		.449		.595		.701		.261		.403		.588	
F-statistic		16.392		18.957		45.361		7.683		9.221		27.947	
Sig		**0.000**		**0.000**		**0.000**		**0.000**		**0.000**		**0.000**	

*Correlation is significant at the 0.1 level (2-tailed). **Correlation is significant at the 0.05 level (2-tailed). ***Correlation is significant at the 0.01 level (2-tailed). The multicollinerity has been checked using VIF. No correlation above 0.8 was found. Regression results have been checked for the presence of influential data points using Cook D statistic. No influential data points were detected. QUALITYAR is the CSR disclosure quality in annual report; QUALITYWEB is the CSR disclosure quality for CSR stand-alone report and CSR section on corporate website; QUALITYALL is the total score of quality for all reports; QUANTITYAR is the CSR disclosure quantity in annual report; QUANTITYWEB is the CSR disclosure quantity for CSR stand-alone report and CSR section on corporate website; QUANTITYALL is the total score of quantity for all reports; BC is the proportion of independent directors to the total number of directors on Board, COM is the presence of CSR board committees; GOVT is if the company is owned by the government; IND is the individualism score as obtained from Hofstede (2001); MAS is the masculinity score is obtained from Hofstede (2001); BIG4 is if the company annual report is audited by a BIG4 firm; ASS is the presence of CSR assurance statement; LIST is if the firm is dually listed overseas; SUB is the proportion of subsidiaries operating overseas; and MCAP is market capitalization indicated in US dollars.

6.6.3 Control for Economic Development

Hofstede (1991) documented correlations of economic development with his cultural taxonomies. Thus, the following analyses check for the robustness of the cultural variables, after controlling for economic development effects. A regression was conducted on the sample from emerging markets (China, India and Malaysia). An alternative specification for foreign ownership was provided; in which the variable was replaced by the proportion of foreign shares in shareholdings (FSHARES).[112] This test analyses if the previous specification for foreign shareholding using American Depository Receipt (ADR) or Global Depository Receipt (GDR) is a proxy better than FSHARES. The results in Table 6.17 report findings that are similar to those in Table 6.8. However, the influence of masculinity (MAS) on CSR reporting has been reported[113]; and the model does not show the influence of foreign ownership (FSHARES) on CSR reporting across emerging markets. Accordingly, the model is robust even after leaving out the sample from UK corporations.

[112] Any foreign shares such as foreign banks, foreign institutions and foreign individuals are considered as foreign shares in shareholdings. For example, in China, B shares and H shares (i.e. shares with foreign currencies and shares traded in Hong Kong with foreign currencies are considered as foreign shares (see for example Huafang and Jianguo, 2007). Data was manually collected from corporate annual reports.

[113] For this reason, CSR reporting has been regression on each cultural variable in several regression models. Results are discussed in section 6.7.2.

Table 6.17: Regression Results Conditional on Emerging Market after Controlling for Foreign Investment

Equation (x) CSR= $\beta_o + \beta_1 BC + \beta_2 COM + \beta_3 GOVT + \beta_4 IND + B_5 MAS + \beta_6 BIG4 + \beta_7 ASS + \beta_8 LIST + \beta_9 SUB + \beta_{10} MCAP + \beta_{11} FSHARES + \varepsilon$

		QUALITYAR		QUALITYWEB		QUALITYALL		QUANTITYAR		QUANTITYWEB		QUANTITYALL	
		t	Sig.	t	Sig.	t	Sig.	t	Sig.	t	Sig.	t	Sig.
(Constant)		1.216	.226	.135	.893	.941	.348	-2.155	.033	.716	.476	-.424	.672
BC	(+/-)	-.950	.344	.554	.581	-.307	.760	1.547	.124	-1.601	.114	-1.011	.314
COM	(+/-)	**3.146**	**.002*** **	**2.527**	**.014** **	**3.540**	**.001*** **	**2.336**	**.021** **	**2.109**	**.038** **	**3.573**	**.000*** **
GOVT	(+/-)	**2.306**	**.023** **	.652	.517	**2.129**	**.035** **	1.272	.206	.869	.388	1.605	.111
IND	(+/-)	**2.174**	**.031** **	**2.506**	**.014** **	**3.153**	**.002*** **	**2.874**	**.005*** **	**2.218**	**.030** **	**3.650**	**.000*** **
MAS	(+/-)	1.618	.108	1.469	.146	**-1.785**	**.076***	**-4.716**	**.000*** **	1.359	.178	**-3.585**	**.000*** **
BIG4	(+)	.683	.496	**1.722**	**.089***	**1.870**	**.063***	1.440	.152	1.450	.151	**2.044**	**.043** **
ASS	(+)	-.203	.840	**8.460**	**.000*** **	**9.311**	**.000*** **	-.732	.465	**5.248**	**.000*** **	**6.984**	**.000*** **
LIST	(+)	**2.716**	**.007*** **	**1.984**	**.051***	**3.699**	**.000*** **	**2.049**	**.042** **	.315	.754	**2.024**	**.045** **
SUB	(+)	-.407	.685	.052	.958	.410	.682	-.864	.389	.175	.861	.132	.895
MCAP	(+)	**-1.957**	**.052***	**1.775**	**.080***	1.311	.192	-.937	.350	.716	.477	.584	.560
FSHARES	(+)	-.608	.544	1.375	.173	.135	.893	1.050	.295	.421	.675	.793	.429
N		153		85		153		153		85		153	
Adjusted R^2		.145		.679		.617		.180		.478		.520	
F-statistic		3.336		17.129		23.283		4.038		7.995		15.976	
Sig		**0.000**		**0.000**		**0.000**		**0.000**		**0.000**		**0.000**	

*Correlation is significant at the 0.1 level (2-tailed). **Correlation is significant at the 0.05 level (2-tailed). ***Correlation is significant at the 0.01 level (2-tailed). QUALITYAR is the CSR disclosure quality in annual report; QUALITYWEB is the CSR disclosure quality for CSR stand-alone report and CSR section on corporate website; QUALITYALL is the total score of quality for all reports; QUANTITYAR is the CSR disclosure quantity in annual report; QUANTITYWEB is the CSR disclosure quantity for CSR stand-alone report and CSR section on corporate website; QUANTITYALL is the total score of quantity for all reports; BC is the proportion of independent directors to the total number of directors on Board, COM is the presence of CSR board committees; GOVT is if the company is owned by the government; IND is the individualism score as obtained from Hofstede (2001); MAS is the masculinity score obtained from Hofstede (2001); BIG4 is if the firm annual report is audited by a BIG4 firm; ASS is the presence of CSR assurance statement; LIST is if the firm is dually listed overseas; SUB is the proportion of subsidiaries operating overseas; and MCAP is market capitalization indicated in US dollars; FSHARES is the proportion of foreign shares in relation to the total shareholdings.

6.7 Alternative Specification

6.7.1 Alternative Specification: CSR Disclosure

The analyses in this section relate to alternative measures for CSR reporting. Specifically, the original measure for CSR reporting has been replaced by ranking measures, un-weighted scales and specific categories of CSR disclosure.

6.7.1.1 Ranking of CSR Reporting Quality and Quantity

The descriptive statistics in the preceding sections show that the mean quality and quantity of CSR reporting is different from one country to another. The high range of disclosures suggests that CSR data is widely dispersed. Therefore in this analysis, the original value of CSR reporting has been ranked (see Jones, 2007). The ranking order has been treated as the new value for CSR reporting and separate regression analyses have been performed. Table 6.18 presents the results. Overall, the explanatory powers for QUALITYWEB and QUALITYALL are lower than those of the original model. Thus, in describing the quality of CSR reporting, the new models are relatively weak. However, R^2 values have been upheld in the models for CSR reporting quantity (R^2 for QUANTITYAR and QUANTIYWEB are higher than those in the original model). Therefore, the ranked scales are more appropriate for disclosure quantity than the disclosure quality. The correlations of variables in this analysis are considerably consistent with the findings in Table 6.8.

Table 6.18: Regression Results Using Alternative Models: Disclosure Ranking

Equation (x) CSR= $\beta_o + \beta_1 BC + \beta_2 COM + \beta_3 GOVT + \beta_4 IND + B_5 MAS + \beta_6 BIG4 + \beta_7 ASS + \beta_8 LIST + \beta_9 SUB + \beta_{10} MCAP + \varepsilon$

		QUALITYAR		QUALITYWEB		QUALITYALL		QUANTITYAR		QUANTITYWEB		QUANTITYALL	
		t	Sig.	t	Sig.	t	Sig.	t	Sig.	t	Sig.	t	Sig.
(Constant)		6.034	.000	2.342	.021	4.734	.000	1.232	.220	2.160	.033	2.424	.016
BC	(+/-)	-1.423	.156	.104	.917	-.502	.616	1.563	.120	-.219	.827	.141	.888
COM	(+/-)	**2.625**	**.009*** **	**2.918**	**.004*** **	**4.079**	**.000*** **	**1.840**	**.067***	**2.780**	**.006*** **	**3.981**	**.000*** **
GOVT	(+/-)	**3.306**	**.001*** **	1.332	.185	**3.255**	**.001*** **	.779	.437	**2.135**	**.035** **	**2.455**	**.015** **
IND	(+/-)	**4.308**	**.000*** **	**2.381**	**.019** **	**3.965**	**.000*** **	**6.575**	**.000*** **	**2.680**	**.008*** **	**6.645**	**.000*** **
MAS	(+/-)	.349	.728	1.167	.246	1.167	.245	**-5.127**	**.000*** **	1.421	.158	**-4.688**	**.000*** **
BIG4	(+)	**1.973**	**.050** **	.673	.502	**2.008**	**.046** **	**3.263**	**.001*** **	.704	.483	**3.629**	**.000*** **
ASS	(+)	1.510	.133	**7.849**	**.000*** **	**6.865**	**.000*** **	1.570	.118	**6.019**	**.000*** **	**6.091**	**.000*** **
LIST	(+)	.826	.410	1.641	.103	**1.891**	**.060***	.767	.444	.773	.441	1.309	.192
SUB	(+)	.032	.974	.228	.820	.444	.658	-.271	.787	1.295	.198	.603	.547
MCAP	(+)	**-2.044**	**.042** **	1.432	.155	.704	.482	-.663	.508	.981	.328	1.297	.196
Adjusted R^2		.381		.578		.587		.359		.508		.588	
N		203		135		203		203		135		203	
F-statistic		13.432		19.363		29.739		12.308		14.851		29.876	
Sig		**0.000**		**0.000**		**0.000**		**0.000**		**0.000**		**0.000**	

*Correlation is significant at the 0.1 level (2-tailed). **Correlation is significant at the 0.05 level (2-tailed). ***Correlation is significant at the 0.01 level (2-tailed). QUALITYAR is the CSR disclosure quality in annual report; QUALITYWEB is the CSR disclosure quality for CSR stand-alone report and CSR section on corporate website; QUALITYALL is the total score of quality for all reports; QUANTITYAR is the CSR disclosure quantity in annual report; QUANTITYWEB is the CSR disclosure quantity for CSR stand-alone report and CSR section on corporate website; QUANTITYALL is the total score of quantity for all reports; BC is the proportion of independent directors to the total number of directors on Board, COM is the presence of CSR board committees; GOVT is if the company is owned by the government; IND is the individualism score as obtained from Hofstede (2001); MAS is the masculinity score obtained from Hofstede (2001); BIG4 is if the firm annual report is audited by a BIG4 firm; ASS is the presence of CSR assurance statement; LIST is if the firm is dually listed overseas; SUB is the proportion of subsidiaries operating overseas; and MCAP is market capitalization indicated in US dollars.

6.7.1.2 CSR Disclosure: Dichotomous Scores

Table 6.19 shows the regression results using dichotomous scores. Across all reports (QUALITYALL), the R^2 of this model is lower than that of the original model shown in Table 6.8 (R^2 is 63.8% as opposed to 67.8%). The R^2 for QUALITYAR is also lower in this model than in the original model. These results suggest that regression models based on the dichotomous scales are weaker than those based on the full scales. Specifically, overall results show similar findings to those in Table 6.8; that the coefficient values of BC, COM, GOVT, IND, BIG4, ASS and LIST are all significant in QUALITYALL. However, the coefficient for masculinity (MAS) is upheld in this model. The results suggest that companies operating in a society with high level of masculinity disclosed low quality of CSR reporting. This result is consistent with several of the sensitivity analyses conducted in this thesis.

Table 6.19: Regression Results Using Alternative Models for Disclosure Quality: Dichotomous Scores

Equation (x) CSR= $\beta_o + \beta_1 BC + \beta_2 COM + \beta_3 GOVT + \beta_4 IND + B_5 MAS + \beta_6 BIG4 + \beta_7 ASS + \beta_8 LIST + \beta_9 SUB + \beta_{10} MCAP + \varepsilon$

		QUALITYAR		QUALITYWEB		QUALITY ALL	
		t	Sig.	t	Sig.	t	Sig.
(Constant)		4.062	.000	1.035	.302	2.645	.009
BC	(+/-)	-1.369	.172	-.126	.900	-.517	.606
COM	(+/-)	**3.109**	**.002*** **	**4.333**	**.000*** **	**4.656**	**.000*** **
GOVT	(+/-)	**2.032**	**.044** **	.553	.581	**2.112**	**.036** **
IND	(+/-)	**4.483**	**.000*** **	**2.946**	**.004*** **	**4.366**	**.000*** **
MAS	(+/-)	**-1.888**	**.061***	1.630	.105	**-2.571**	**.011** **
BIG4	(+)	**2.292**	**.023** **	1.460	.146	**2.237**	**.026** **
ASS	(+)	1.461	.146	**10.249**	**.000*** **	**8.655**	**.000*** **
LIST	(+)	1.299	.196	**1.880**	**.062***	**2.524**	**.012** **
SUB	(+)	.500	.618	.911	.363	.959	.339
MCAP	(+)	**-1.937**	**.054***	**1.940**	**.054***	1.227	.221
N		203		135		203	
Adjusted R^2		.334		.646		.638	
F-statistic		11.147		37.882		36.590	
Sig		**0.000**		**0.000**		**0.000**	

*Correlation is significant at the 0.1 level (2-tailed). **Correlation is significant at the 0.05 level (2-tailed). ***Correlation is significant at the 0.01 level (2-tailed). QUALITYAR is the CSR disclosure quality in annual report; QUALITYWEB is the CSR disclosure quality for CSR stand-alone report and CSR section on corporate website; QUALITYALL is the total score of quality for all reports; BC is the proportion of independent directors to the total number of directors on Board, COM is the presence of CSR board committees; GOVT is if the company is owned by the government; IND is the individualism score as obtained from Hofstede (2001); MAS is the masculinity score obtained from Hofstede (2001); BIG4 is if the firm annual report is audited by a BIG4 firm; ASS is the presence of CSR assurance statement; LIST is if the firm is dually listed overseas; SUB is the proportion of subsidiaries operating overseas; and MCAP is market capitalization indicated in US dollars.

Table 6.20: Regression Results Using Alternative Specification for Disclosure Quality of All Reports

Equation (x) CSR= $\beta_o + \beta_1 BC + \beta_2 COM + \beta_3 GOVT + \beta_4 IND + B_5 MAS + \beta_6 BIG4 + \beta_7 ASS + \beta_8 LIST + \beta_9 SUB + \beta_{10} MCAP + \varepsilon$

		Environment		Society		Labour		Human Rights		Product		Economic		Organizational Profile and Strategies	
		t	Sig.	t	Sig.	t	Sig.	t	Sig.	t	Sig.	t	Sig.	t	Sig.
(Constant)		3.448	.001	1.716	.088	2.102	.037	.383	.702	.181	.857	4.935	.000	2.923	.004
BC	+/-	**-1.833**	**.068***	-.127	.899	-.124	.902	-.557	.578	-.191	.849	-.137	.891	.753	.452
COM	+/-	**4.279**	**.000*****	**3.740**	**.000*****	**3.660**	**.000*****	**2.174**	**.031****	**3.318**	**.001*****	**2.595**	**.010****	**3.681**	**.000*****
GOVT	+/-	**2.137**	**.034****	**3.059**	**.003*****	**2.294**	**.023****	.837	.404	**2.144**	**.033****	-.256	.798	-.373	.710
IND	+/-	**4.361**	**.000*****	**3.367**	**.001*****	**2.192**	**.030****	**3.027**	**.003*****	**1.781**	**.076***	**2.837**	**.005*****	**3.458**	**.001*****
MAS	+/-	1.187	.237	1.416	.158	.652	.515	1.554	.122	1.433	.154	.748	.455	**-2.044**	**.042****
BIG4	+	**2.323**	**.021****	**2.700**	**.008*****	1.512	.132	1.639	.103	**2.213**	**.028****	1.156	.249	1.373	.171
ASS	+	**8.422**	**.000*****	**7.925**	**.000*****	**9.123**	**.000*****	**7.557**	**.000*****	**4.624**	**.000*****	**3.710**	**.000*****	**4.982**	**.000*****
LIST	+	**2.819**	**.005*****	**2.550**	**.012****	1.429	.155	**2.871**	**.005*****	1.464	.145	**1.857**	**.065***	.880	.380
SUB	+	-.523	.601	**3.382**	**.001*****	1.516	.131	**2.689**	**.008*****	-.088	.930	-1.038	.300	.624	.533
MCAP	+	.484	.629	.624	.533	.390	.697	**2.075**	**.039****	-.512	.609	1.308	.193	1.397	.164
N		203		203		203		203		203		203		203	
Adjusted R^2		.636		.637		.592		.561		.304		.349		.463	
F-statistic		36.338		36.445		30.253		26.791		9.840		11.850		18.429	
Sig		**0.000**		**0.000**		**0.000**		**0.000**		**0.000**		**0.000**		**0.000**	

*Correlation is significant at the 0.1 level (2-tailed). **Correlation is significant at the 0.05 level (2-tailed). ***Correlation is significant at the 0.01 level (2-tailed). QUALITYALL is the total score of quality for all reports; BC is the proportion of independent directors to the total number of directors on Board, COM is the presence of CSR board committees; GOVT is if the company is owned by the government; IND is the individualism score as obtained from Hofstede (2001); MAS is the masculinity score obtained from Hofstede (2001); BIG4 is if the firm annual report is audited by a BIG4 firm; ASS is the presence of CSR assurance statement; LIST is if the firm is dually listed overseas; SUB is the proportion of subsidiaries operating overseas; and MCAP is market capitalization indicated in US dollars.

6.7.1.3 CSR Disclosure for Every Disclosure Category

Regression tests using data on category of disclosure were also conducted. Table 6.20 presents the results for CSR quality on corporate websites and in annual company reports (QUALITYALL). R^2 values are lower than 67.8%; this suggests that the current models are weaker than the original model; yet, the table provides further insight into the motivation for a specific category of CSR disclosure. Comparatively, the explanatory power for models based on environment and society record the highest values (R^2 values of 63.6% and 63.7%, respectively). Accordingly, it is suggested that the CSR reporting model of the current study explains disclosures about environment and society better than other categories of disclosures. Disclosure on product responsibility has the lowest R^2 value (30.4%). This means, only 30.4 per cent of the variation in the quality of product responsibility disclosure in all reports can be explained by the variables specified in the model. It is shown that the findings for the disclosures on environment are similar to that of QUALITYALL in Table 6.8. Specifically, the table indicates that as board composition increases, the quality of disclosure on environmental issues decreases. The presence of CSR board committee (COM), government shares (GOVT), Big4 auditors (BIG4), CSR assurance statement (ASS) and foreign listing (LIST) raise the quality of environmental information.

In regard to the variables, CSR board committees (COM), individualism (IND), and assurance statements (ASS) enhance the quality of CSR reporting across all categories of information. The government-owned corporations (GOVT) had good quality of disclosures on environment, society, labour and product responsibility. Companies operating in a masculine-attitude society disclosed low quality of information regarding organizational profiles and strategies. A high proportion of subsidiaries operating overseas (SUB) and listing status (LIST) improve the quality of disclosure on society and human rights issues. Companies that are dually listed overseas (LIST) also provided good disclosures on

environment and economic. Finally, Big-4 audit firms improve the disclosures on environment, society and product responsibility.

6.7.2 Specification: Culture

As indicated in Chapter 5, power distance (PD) and uncertainty avoidance (UA) correlated closely with masculinity (MAS) and individualism (IND). As a result, PD and UA have been excluded from the main regression model. In this section, the cultural variables are tested separately and the results are reported in Table 6.21. For power distance, Table 6.21 (Panel A) shows that companies operating in societies exhibiting high power distance provide a low quality of CSR disclosure (correlations are significant at 1% and 5% for QUALITYAR and QUALITYALL). The result is consistent with the literature on culture that individuals in a society with high power distance would accept a firm's decision to restrict disclosures as they rely on expertise of management in dealing with such matters. Interestingly, there is no indication that the quantity of the disclosures in the corporate reports is affected by the PD. In regard to influence of other variables, the R^2 values in this model are weaker than those in the original model shown in Table 6.8.

For uncertainty avoidance, Panel B indicates that corporations operating in a society with high levels of uncertainty avoidance provide a low level quality and quantity of CSR disclosure. The result supports the secretive nature of individuals operating in the environment with high uncertainty avoidance, a point which has been discussed in Chapter 4. In regard to individualism, Panel C shows the results which are consistent with the findings in the main models, that companies operating in an individualistic society disclosed high quality and quantity of CSR reporting. Finally, in Panel D, it is shown that masculinity (MAS) enhances the CSR reporting quality, not quantity (correlations are significant at 1% and 5% levels for QUALITYAR and QUALITYALL). The findings for masculinity reported in this

section are not consistent with the analysis in the main model as well as several sensitivity tests reported in this Chapter. Overall, there is a weak support for the influence of cultural variables on the quality and quantity of CSR disclosure on the corporate website (except for the individualism). Discussion on these findings is provided in Chapter 7.

6.7.3 Specification: Corporate Governance

Following the advocates of the literature on agency theory, two additional measures for corporate governance: number of independent directors on the board (DIR) and board size (BDSIZE) were also tested for.[114] Overall, as illustrated in Table 6.22, the supports for BDSIZE and DIR were shown to be mixed. Panel A shows insignificant influence of board size on CSR reporting. In Panel B, the coefficient for DIR in QUANTITYAR is significant at a 5% level; this indicates that in the annual report, the quantity of CSR information increases with the number of independent directors. This result is consistent with the explanation of agency theory, that the existence of independent directors reduces information asymmetry by means of disclosures. Other results are considerably consistent with the findings in Table 6.8. Thus, it is suggested that the findings in Table 6.8 are robust. [115]

[114] Board size (BDSIZE) was measured by number of directors in the board. The number of independent directors (DIR) represents total non-executive directors in the boards. Both measures were obtained from annual reports.

[115] However, as indicated in Panel A, MCAP reduced the quality of CSR reporting (t=-2.053; p=0.041). Although this result warrants further investigation, no issue is likely to arise because the main model in Table 6.8 confirmed that proxy for size has been controlled for.

Table 6.21: Regression Results Using Alternative Specification for Cultural Variables

Panel A: Power Distance

Equation (x) CSR= $\beta_o + \beta_1 BC + \beta_2 COM + \beta_3 GOVT + \beta_4 PD + \beta_5 BIG4 + \beta_6 ASS + \beta_7 LIST + \beta_8 SUB + \beta_9 MCAP + \varepsilon$

		QUALITYAR		QUALITYWEB		QUALITYALL		QUANTITYAR		QUANTITYWEB		QUANTITYALL	
		t	Sig.	t	Sig.	t	Sig.	t	Sig.	t	Sig.	t	Sig.
(Constant)		3.139	.002	1.445	.151	2.319	.021	.383	.702	.999	.320	.465	.642
BC	(+/-)	-.966	.335	.152	.879	-.104	.917	**1.659**	**.099***	-.468	.640	.368	.714
COM	(+/-)	**3.585**	**.000*****	**3.348**	**.001*****	**5.498**	**.000*****	**3.224**	**.001*****	**2.448**	**.016****	**4.595**	**.000*****
GOVT	(+/-)	**1.946**	**.053***	.426	.671	**2.000**	**.047****	.438	.662	.928	.355	.939	.349
PD	(+/-)	**-4.416**	**.000*****	.630	.530	**-2.617**	**.010****	-.022	.982	.078	.938	.493	.623
BIG4	(+/-)	.793	.429	.352	.725	1.085	.279	1.604	.110	.000	1.000	1.182	.239
ASS	(+)	**2.004**	**.046****	**9.416**	**.000*****	**10.188**	**.000*****	1.409	.160	**6.457**	**.000*****	**8.407**	**.000*****
LIST	(+)	.537	.592	1.533	.128	**1.869**	**.063***	1.024	.307	1.169	.245	1.634	.104
SUB	(+)	1.162	.246	1.141	.256	**1.869**	**.063***	**1.869**	**.063***	**2.193**	**.030****	**3.096**	**.002*****
MCAP	(+)	**-2.266**	**.025****	.918	.361	.380	.704	-1.578	.116	.364	.717	.053	.958
N		203		135		203		203		135		203	
Adjusted R^2		.350		.601		.666		.188		.417		.561	
F-statistic		13.079		23.380		45.672		6.198		11.638		29.720	
Sig		**0.000**		**0.000**		**0.000**		**0.000**		**0.000**		**0.000**	

*Correlation is significant at the 0.1 level (2-tailed). **Correlation is significant at the 0.05 level (2-tailed). ***Correlation is significant at the 0.01 level (2-tailed). QUALITYAR is the CSR disclosure quality in annual report; QUALITYWEB is the CSR disclosure quality for CSR stand-alone report and CSR section on corporate website; QUALITYALL is the total score of quality for all reports; QUANTITYAR is the CSR disclosure quantity in annual report; QUANTITYWEB is the CSR disclosure quantity for CSR stand-alone report and CSR section on corporate website; QUANTITYALL is the total score of quantity for all reports; BC is the proportion of independent directors to the total number of directors on Board, COM is the presence of CSR board committees; GOVT is if the company is owned by the government; PD is the power distance as obtained from Hofstede (2001); BIG4 is if the firm annual report is audited by a BIG4 firm; ASS is the presence of CSR assurance statement; LIST is if the firm is dually listed overseas; SUB is the proportion of subsidiaries operating overseas; and MCAP is market capitalization indicated in US dollars.

Table 6.21: Regression Results Using Alternative Specification for Cultural Variables

Panel B: Uncertainty Avoidance

Equation (x) CSR= $\beta_o + \beta_1 BC + \beta_2 COM + \beta_3 GOVT + \beta_4 UA + \beta_5 BIG4 + \beta_6 ASS + \beta_7 LIST + \beta_8 SUB + \beta_9 MCAP + \varepsilon$

		QUALITYAR		QUALITYWEB		QUALITYALL		QUANTITYAR		QUANTITYWEB		QUANTITYALL	
		t	Sig.	t	Sig.	t	Sig.	t	Sig.	t	Sig.	t	Sig.
(Constant)		1.252	.212	1.916	.058	2.394	.018	3.747	.000	1.693	.093	3.194	.002
BC	(+/-)	.050	.960	.507	.613	.383	.702	1.460	.146	-.363	.717	.260	.795
COM	(+/-)	**4.814**	**.000*** **	**3.774**	**.000*** **	**6.420**	**.000*** **	**3.354**	**.001*** **	**2.636**	**.009*** **	**4.964**	**.000*** **
GOVT	(+/-)	1.594	.113	.392	.696	**1.846**	**.066***	.501	.617	.939	.350	.970	.333
UA	(+/-)	-.907	.365	**1.769**	**.079***	**2.135**	**.034** **	**3.727**	**.000*** **	1.585	.116	**3.164**	**.002*** **
BIG4	(+)	1.579	.116	1.394	.166	**2.103**	**.037** **	**2.869**	**.005*** **	.862	.390	**2.317**	**.022** **
ASS	(+)	**3.314**	**.001*** **	**10.123**	**.000*** **	**11.429**	**.000*** **	1.569	.118	**6.841**	**.000*** **	**9.214**	**.000*** **
LIST	(+)	.968	.334	1.649	.102	**2.466**	**.015** **	**1.897**	**.059***	1.302	.195	**2.399**	**.017** **
SUB	(+)	**2.164**	**.032** **	1.017	.311	**2.340**	**.020** **	1.505	.134	**1.984**	**.050** **	**2.993**	**.003*** **
MCAP	(+)	**-2.070**	**.040** **	1.252	.213	.579	.563	-1.272	.205	.658	.512	.355	.723
N		203		135		203		203		135		203	
Adjusted R^2		.287		.609		.662		.243		.428		.582	
F-statistic		10.045		24.192		44.903		8.188		12.150		32.306	
Sig		**0.000**		**0.000**		**0.000**		**0.000**		**0.000**		**0.000**	

*Correlation is significant at the 0.1 level (2-tailed). **Correlation is significant at the 0.05 level (2-tailed). ***Correlation is significant at the 0.01 level (2-tailed). QUALITYAR is the CSR disclosure quality in annual report; QUALITYWEB is the CSR disclosure quality for CSR stand-alone report and CSR section on corporate website; QUALITYALL is the total score of quality for all reports; QUANTITYAR is the CSR disclosure quantity in annual report; QUANTITYWEB is the CSR disclosure quantity for CSR stand-alone report and CSR section on corporate website; QUANTITYALL is the total score of quantity for all reports; BC is the proportion of independent directors to the total number of directors on Board, COM is the presence of CSR board committees; GOVT is if the company is owned by the government; UA is the uncertainty avoidance as obtained from Hofstede (2001); BIG4 is if the firm annual report is audited by a BIG4 firm; ASS is the presence of CSR assurance statement; LIST is if the firm is dually listed overseas; SUB is the proportion of subsidiaries operating overseas; and MCAP is market capitalization indicated in US dollars.

Table 6.21: Regression Results Using Alternative Specification for Cultural Variables

Panel C: Masculinity

Equation (x) CSR= $\beta_o + \beta_1 BC + \beta_2 COM + \beta_3 GOVT + \beta_4 MAS + \beta_5 BIG4 + \beta_6 ASS + \beta_7 LIST + \beta_8 SUB + \beta_9 MCAP + \varepsilon$

		QUALITYAR		QUALITYWEB		QUALITYALL		QUANTITYAR		QUANTITYWEB		QUANTITYALL	
		t	Sig.	t	Sig.	t	Sig.	t	Sig.	t	Sig.	t	Sig.
(Constant)		4.772	.000	1.323	.188	3.167	.002	-.211	.833	.560	.577	.369	.712
BC	(+/-)	-.761	.447	.150	.881	-.001	.999	**1.782**	**.076***	-.443	.658	.456	.649
COM	(+/-)	**3.802**	**.000*****	**3.349**	**.001*****	**5.638**	**.000*****	**3.380**	**.001*****	**2.482**	**.014****	**4.724**	**.000*****
GOVT	(+/-)	**1.854**	**.065***	.421	.674	**1.956**	**.052***	.411	.682	.923	.358	.915	.361
MAS	(+/-)	**3.888**	**.000*****	.683	.496	**2.392**	**.018****	.520	.604	.007	.995	.155	.877
BIG4	(+)	1.088	.278	.379	.705	1.262	.209	1.653	.100	.022	.983	1.245	.215
ASS	(+)	**2.204**	**.029****	**9.438**	**.000*****	**10.317**	**.000*****	1.555	.122	**6.498**	**.000*****	**8.547**	**.000*****
LIST	(+)	.460	.646	1.518	.132	**1.812**	**.072***	1.067	.287	1.165	.246	1.647	.101
SUB	(+)	1.370	.172	1.139	.257	**1.985**	**.049****	**2.000**	**.047***	**2.221**	**.028****	**3.204**	**.002*****
MCAP	(+)	**-2.299**	**.023****	.911	.364	.345	.731	-1.572	.118	.365	.716	.050	.960
N		203		135		203		203		135		203	
Adjusted R^2		.336		.601		.664		.189		.417		.561	
F-statistic		12.368		23.401		45.294		6.237		11.637		29.662	
Sig		**0.000**		**0.000**		**0.000**		**0.000**		**0.000**		**0.000**	

*Correlation is significant at the 0.1 level (2-tailed). **Correlation is significant at the 0.05 level (2-tailed). ***Correlation is significant at the 0.01 level (2-tailed). QUALITYAR is the CSR disclosure quality in annual report; QUALITYWEB is the CSR disclosure quality for CSR stand-alone report and CSR section on corporate website; QUALITYALL is the total score of quality for all reports; QUANTITYAR is the CSR disclosure quantity in annual report; QUANTITYWEB is the CSR disclosure quantity for CSR stand-alone report and CSR section on corporate website; QUANTITYALL is the total score of quantity for all reports; BC is the proportion of independent directors to the total number of directors on Board, COM is the presence of CSR board committees; GOVT is if the company is owned by the government; MAS is the masculinity as obtained from Hofstede (2001); BIG4 is if the firm annual report is audited by a BIG4 firm; ASS is the presence of CSR assurance statement; LIST is if the firm is dually listed overseas; SUB is the proportion of subsidiaries operating overseas; and MCAP is market capitalization indicated in US dollars.

Table 6.21: Regression Results Using Alternative Specification for Cultural Variables

Panel D: Individualism

Equation (x) CSR= $\beta_o + \beta_1 BC + \beta_2 COM + \beta_3 GOVT + \beta_4 IND + \beta_5 BIG4 + \beta_6 ASS + \beta_7 LIST + \beta_8 SUB + \beta_9 MCAP + \varepsilon$

		QUALITYAR		QUALITYWEB		QUALITYALL		QUANTITYAR		QUANTITYWEB		QUANTITYALL	
		t	Sig.	t	Sig.	t	Sig.	t	Sig.	t	Sig.	t	Sig.
(Constant)		6.236	.000	2.190	.030	4.987	.000	2.133	.034	1.386	.168	2.378	.018
BC	(+/-)	**-1.785**	**.076***	-.202	.840	-1.012	.313	.805	.422	-.754	.452	-.443	.658
COM	(+/-)	**2.941**	**.004*****	**2.966**	**.004*****	**4.752**	**.000*****	**2.344**	**.020****	**2.143**	**.034****	**3.776**	**.000*****
GOVT	(+/-)	**2.179**	**.031****	.516	.607	**2.281**	**.024****	.652	.515	.997	.321	1.153	.250
IND	(+/-)	**5.811**	**.000*****	**1.747**	**.083***	**4.750**	**.000*****	**2.534**	**.012****	.952	.343	**2.827**	**.005*****
BIG4	(+)	**2.307**	**.022****	.692	.490	**2.204**	**.029****	**2.002**	**.047****	.109	.914	**1.694**	**.092***
ASS	(+)	1.517	.131	**9.138**	**.000*****	**9.754**	**.000*****	.599	.550	**6.195**	**.000*****	**7.736**	**.000*****
LIST	(+)	1.402	.163	**1.687**	**.094***	**2.566**	**.011****	1.282	.201	1.264	.208	**1.968**	**.051***
SUB	(+)	.129	.897	.613	.541	.773	.440	.871	.385	**1.777**	**.078***	**2.103**	**.037****
MCAP	(+)	**-1.950**	**.053***	1.086	.280	.710	.479	-1.432	.154	.447	.655	.242	.809
N		203		135		203		203		135		203	
Adjusted R^2		.391		.609		.690		.214		.421		.578	
F-statistic		15.397		24.169		50.949		7.118		11.822		31.771	
Sig		**0.000**		**0.000**		**0.000**		**0.000**		**0.000**		**0.000**	

*Correlation is significant at the 0.1 level (2-tailed). **Correlation is significant at the 0.05 level (2-tailed). ***Correlation is significant at the 0.01 level (2-tailed). QUALITYAR is the CSR disclosure quality in annual report; QUALITYWEB is the CSR disclosure quality for CSR stand-alone report and CSR section on corporate website; QUALITYALL is the total score of quality for all reports; QUANTITYAR is the CSR disclosure quantity in annual report; QUANTITYWEB is the CSR disclosure quantity for CSR stand-alone report and CSR section on corporate website; QUANTITYALL is the total score of quantity for all reports; BC is the proportion of independent directors to the total number of directors on Board, COM is the presence of CSR board committees; GOVT is if the company is owned by the government; IND is the individualism as obtained from Hofstede (2001); BIG4 is if the firm annual report is audited by a BIG4 firm; ASS is the presence of CSR assurance statement; LIST is if the firm is dually listed overseas; SUB is the proportion of subsidiaries operating overseas; and MCAP is market capitalization indicated in US dollars.

Table 6.22: Regression Results Using Alternative Specification for Corporate Governance

Panel A: Board Size

Equation (x) CSR= $\beta_o + \beta_1$ COM+ β_2 GOVT +β_3IND + B_4MAS+ β_5BIG4 + β_6ASS+ β_7LIST+β_8SUB+ β_9MCAP+ β_{10}BDSIZE+ ε

		QUALITYAR		QUALITYWEB		QUALITYALL		QUANTITYAR		QUANTITYWEB		QUANTITYALL	
		t	Sig.	t	Sig.	t	Sig.	t	Sig.	t	Sig.	t	Sig.
(Constant)		2.783	.006	1.391	.167	2.866	.005	-.400	.690	-.576	.565	-.472	.637
COM	(+/-)	**2.979**	**.003*** **	**2.970**	**.004*** **	**4.710**	**.000*** **	**2.530**	**.012** **	**2.200**	**.030** **	**3.927**	**.000*** **
GOVT	(+/-)	**2.313**	**.022** **	.766	.445	**2.505**	**.013** **	.518	.605	1.060	.291	1.202	.231
IND	(+/-)	**3.779**	**.000*** **	**2.206**	**.029** **	**4.208**	**.000*** **	**4.766**	**.000*** **	**1.698**	**.092***	**4.061**	**.000*** **
MAS	(+/-)	.399	.690	1.363	.175	1.407	.161	**-3.778**	**.000*** **	1.563	.121	**-2.970**	**.003*** **
BIG4	(+)	**2.361**	**.019** **	.921	.359	**2.172**	**.031** **	**3.193**	**.002*** **	.844	.400	**2.529**	**.012** **
ASS	(+)	1.531	.127	**9.381**	**.000*** **	**9.934**	**.000*** **	.691	.490	**6.231**	**.000*** **	**7.986**	**.000*** **
LIST	(+)	1.312	.191	**2.053**	**.042** **	**2.914**	**.004** **	**1.999**	**.047** **	1.308	.193	**2.519**	**.013** **
SUB	(+)	-.090	.929	.429	.669	.544	.587	.751	.454	1.477	.142	**1.904**	**.058***
MCAP	(+)	**-2.053**	**.041** **	1.495	.138	.946	.345	-1.279	.202	.662	.509	.372	.710
BDSIZE	(+/-)	1.092	.276	-1.206	.230	-.591	.555	.916	.361	.352	.725	.780	.436
N		203		135		203		203		135		203	
Adjusted R^2		.382		.617		.691		.263		.425		.595	
F-statistic		13.466		22.548		46.124		8.219		10.911		30.640	
Sig		**0.000**		**0.000**		**0.000**		**0.000**		**0.000**		**0.000**	

*Correlation is significant at the 0.1 level (2-tailed). **Correlation is significant at the 0.05 level (2-tailed). ***Correlation is significant at the 0.01 level (2-tailed). QUALITYAR is the CSR disclosure quality in annual report; QUALITYWEB is the CSR disclosure quality for CSR stand-alone report and CSR section on corporate website; QUALITYALL is the total score of quality for all reports; QUANTITYAR is the CSR disclosure quantity in annual report; QUANTITYWEB is the CSR disclosure quantity for CSR stand-alone report and CSR section on corporate website; QUANTITYALL is the total score of quantity for all reports; COM is the presence of CSR board committees; GOVT is if the company is owned by the government; IND is the individualism score as obtained from Hofstede (2001); MAS is the masculinity score obtained from Hofstede (2001); BIG4 is if the firm annual report is audited by a BIG4 firm; ASS is the presence of CSR assurance statement; LIST is if the firm is dually listed overseas; SUB is the proportion of subsidiaries operating overseas; and MCAP is market capitalization indicated in US dollars; BDSIZE is the total number of directors in the board.

Table 6.22: Regression Results Using Alternative Specification for Corporate Governance

Panel B: Number of Independent Directors

Equation (x) CSR= $\beta_o + \beta_1$ COM+ β_2 GOVT +β_3IND + B_4MAS+ β_5BIG4 + β_6ASS+ β_7LIST+β_8SUB+ β_9MCAP+ β_{10}DIR+ ε

		QUALITYAR		QUALITYWEB		QUALITYALL		QUANTITYAR		QUANTITYWEB		QUANTITYALL	
		t	Sig.	t	Sig.	t	Sig.	t	Sig.	t	Sig.	T	Sig.
(Constant)		4.415	.000	1.277	.204	3.690	.000	-.829	.408	-.181	.857	-.094	.925
COM	(+/-)	**2.855**	**.005*** **	**2.989**	**.003*** **	**4.698**	**.000*** **	**2.581**	**.011** **	**2.171**	**.032** **	**3.885**	**.000*** **
GOVT	(+/-)	**2.398**	**.017** **	.565	.573	**2.424**	**.016** **	.666	.506	1.142	.256	1.287	.200
IND	(+/-)	**3.897**	**.000*** **	**2.290**	**.024** **	**4.459**	**.000*** **	**4.290**	**.000*** **	**1.735**	**.085***	**3.912**	**.000*** **
MAS	(+/-)	.253	.800	1.348	.180	1.420	.157	**-3.797**	**.000*** **	1.502	.136	**-2.910**	**.004*** **
BIG4	(+)	**2.038**	**.043** **	1.092	.277	**2.272**	**.024** **	**3.254**	**.001*** **	.713	.477	**2.420**	**.016** **
ASS	(+)	**1.670**	**.097***	**9.348**	**.000*** **	**10.037**	**.000*** **	.700	.485	**6.331**	**.000*** **	**8.059**	**.000*** **
LIST	(+)	1.518	.131	**1.983**	**.050** **	**3.002**	**.003*** **	**1.979**	**.049** **	1.448	.150	**2.598**	**.010** **
SUB	(+)	-.040	.968	.545	.587	.677	.499	.598	.551	1.517	.132	**1.863**	**.064***
MCAP	(+)	**-1.780**	**.077***	1.411	.161	1.032	.303	-1.339	.182	.741	.460	.484	.629
DIR	(+/-)	-.797	.427	-1.089	.278	-1.567	.119	**1.809**	**.072***	-.338	.736	.287	.774
N		203		135		203		203		135		203	
Adjusted R^2		.380		.616		.694		.272		.425		.594	
F-statistic		13.372		22.473		46.840		8.565		10.910		30.503	
Sig		**0.000**		**0.000**		**0.000**		**0.000**		**0.000**		**0.000**	

*Correlation is significant at the 0.1 level (2-tailed). **Correlation is significant at the 0.05 level (2-tailed). ***Correlation is significant at the 0.01 level (2-tailed). QUALITYAR is the CSR disclosure quality in annual report; QUALITYWEB is the CSR disclosure quality for CSR stand-alone report and CSR section on corporate website; QUALITYALL is the total score of quality for all reports; QUANTITYAR is the CSR disclosure quantity in annual report; QUANTITYWEB is the CSR disclosure quantity for CSR stand-alone report and CSR section on corporate website; QUANTITYALL is the total score of quantity for all reports; COM is the presence of CSR board committees; GOVT is if the company is owned by the government; IND is the individualism score as obtained from Hofstede (2001); MAS is the masculinity score obtained from Hofstede (2001); BIG4 is if the firm annual report is audited by a BIG4 firm; ASS is the presence of CSR assurance statement; LIST is if the firm is dually listed overseas; SUB is the proportion of subsidiaries operating overseas; and MCAP is market capitalization indicated in US dollars; DIR is number of independent directors in the board.

Table 6.23: Regression Results Using Alternative Specification for CSR Assurance

Equation (x) CSR= β_o + β_1BC + β_2 COM+ β_3 GOVT +β_4IND + B_5MAS+ β_6BIG4 + β_7LIST+β_8SUB+ β_9MCAP+ β_{10}CSRAUD+β_{11}GRIGRADE+ β_{12}ASSCOVER+ ε

		QUALITYAR		QUALITYWEB		QUALITYALL		QUANTITYAR		QUANTITYWEB		QUANTITYALL	
		t	Sig.	t	Sig.	t	Sig.	t	Sig.	t	Sig.	t	Sig.
(Constant)		5.167	.000	1.246	.215	3.950	.000	-.074	.941	.379	.706	.978	.329
BC	(+/-)	**-1.852**	**.066***	-.376	.708	-1.270	.206	.678	.498	-.835	.405	-.735	.464
COM	(+/-)	**2.852**	**.005*****	**2.196**	**.030****	**3.940**	**.000*****	**2.198**	**.029****	1.650	.102	**3.161**	**.002*****
GOVT	(+/-)	**2.362**	**.019****	.514	.608	**2.278**	**.024****	.834	.405	.927	.356	1.206	.229
IND	(+/-)	**4.449**	**.000*****	**2.321**	**.022****	**4.530**	**.000*****	**4.581**	**.000*****	**1.840**	**.068***	**4.299**	**.000*****
MAS	(+/-)	.421	.674	1.034	.303	1.040	.300	**-3.610**	**.000*****	1.228	.222	**-2.497**	**.013****
BIG4	(+)	**2.355**	**.020****	**2.087**	**.039****	**3.112**	**.002*****	**3.109**	**.002*****	1.323	.188	**3.076**	**.002****
LIST	(+)	**1.761**	**.080***	1.593	.114	**2.672**	**.008*****	**2.298**	**.023****	1.123	.264	**2.463**	**.015****
SUB	(+)	.070	.945	.035	.972	.473	.637	.485	.628	1.348	.180	**1.720**	**.087***
MCAP	(+)	**-2.437**	**.016****	.955	.342	.396	.693	-1.542	.125	.732	.466	.295	.769
CSRAUD	(+)	1.624	.106	.476	.635	.733	.465	1.121	.264	-.126	.900	.376	.707
GRIGRADE	(+)	-1.356	.177	**3.130**	**.002*****	**2.303**	**.022****	.033	.974	**2.330**	**.021****	**2.759**	**.006*****
ASSCOVER	(+)	-.720	.472	**1.987**	**.049****	2.131	.034	-.791	.430	**1.837**	**.069***	**1.886**	**.061***
N		203		135		203		203		135		203	
Adjusted R^2		.386		.613		.677		.259		.438		.602	
F-statistic		11.593		18.715		36.300		6.883		9.710		26.501	
Sig		**0.000**		**0.000**		**0.000**		**0.000**		**0.000**		**0.000**	

*Correlation is significant at the 0.1 level (2-tailed). **Correlation is significant at the 0.05 level (2-tailed). ***Correlation is significant at the 0.01 level (2-tailed). QUALITYAR is the CSR disclosure quality in annual report; QUALITYWEB is the CSR disclosure quality for CSR stand-alone report and CSR section on corporate website; QUALITYALL is the total score of quality for all reports; QUANTITYAR is the CSR disclosure quantity in annual report; QUANTITYWEB is the CSR disclosure quantity for CSR stand-alone report and CSR section on corporate website; QUANTITYALL is the total score of quantity for all reports; BC is the proportion of independent directors to the total number of directors on Board, COM is the presence of CSR board committees; GOVT is if the company is owned by the government; IND is the individualism score as obtained from Hofstede (2001); MAS is the masculinity score obtained from Hofstede (2001); BIG4 is if the firm annual report is audited by a BIG4 firm; LIST is if the firm is dually listed overseas; SUB is the proportion of subsidiaries operating overseas; and MCAP is market capitalization indicated in US dollars; CSRAUD is if CSR assurance statement was certified by BIG-4 auditors; ASSCOVER is the comprehensiveness of CSR assurance statement; GRIGRADE is the grade given by the assurance provider or self-rated by the company.

6.7.4 Specification: Assurance

This thesis reported that CSR assurance influences the quality and quantity of CSR disclosure. The results are robust throughout all the models. Thus, in this analysis, I examine three additional variables which relate to the assurance statements. An assessment was made as to whether, or not, the auditor of the assurance statement (CSRAUD), the coverage of CSR assurance statement (ASSCOVER), and the GRI grade (GRIGRADE) enhance the quality and quantity of CSR reporting. The CSRAUD was measured based on a scale of '1' if the CSR auditor comes from one of the BIG4 firms, otherwise, it is as '0'. The ASSCOVER was measured based on the comprehensiveness of the assurance report. A score of '2' was given to reports that elaborating on the assurance process and thus disclosing any gaps that exist in the assurance reports. Assurance reports that did not have the criteria were scored as '1'. A score of '0' was given to any company without an assurance report. GRIGRADE was measured based on a scale of 0 to 6: '0' represents no grade; '1' if the grade is C; '2' for C+; '3' for B; 4 for B+; 5 for A; and 6 for A+. The grade was either rated by assurance providers or self-rated by the corporations. The information about GRI grade was obtained from CSR stand-alone reports or CSR sections in the websites. This analysis adds to the discussion on the influence of the assurance statement in CSR reporting models.

The CSR reports were regressed on CSRAUD, ASSCOVER, GRIGRADE and on all the variables in the original model. The results show that ASSCOVER enhances the quality and quantity of CSR disclosure in the CSR stand-alone report and on corporate websites. The ASSCOVER, however, did not explain the CSR reporting for the corporate annual report. This result infers that the assurance statement only enhances the credibility of CSR information in the voluntary report because the assurance process itself is voluntary. The table shows that CSR reporting quality and quantity increases or decreases regardless of whether the auditors are from BIG4 firms (the coefficient for CSRAUD is insignificant in all

models). Finally, GRIGRADE enhanced the quality and quantity of CSR disclosures on corporate websites (coefficient values are positive in QUALITYWEB and QUANTITYWEB), and across all reports (QUALITYALL and QUANTITYALL). However, GRIGRADE does not improve the CSR disclosures on annual report.

6.8 Summary

In summary, this thesis performed descriptive statistics; t-tests and F-tests; and regression analyses to answer the research objectives of the thesis. With regard to the first research objective, which is pertaining to comprehensiveness of CSR reporting, the descriptive statistics show three main findings. Firstly, the quantity and quality of CSR reporting in corporate websites is higher than that in the annual report. Secondly, the quality and quantity of CSR reporting is different from one country to another; corporations in the UK provide the highest quality and quantity of CSR disclosure, followed by India, Malaysia and China. However, by report, the pattern changes slightly. Corporations in China and Malaysia are very similar in a comparison of quality. With regard to the quantity of disclosure in annual reports, corporations in Malaysia and India disclose similar amounts of CSR information. Thirdly, Chinese corporations provide the lowest quality and quantity of CSR disclosure in the annual report and on corporate websites, respectively. However, in the quality per quantity statistics, Chinese corporations score the highest. Finally, the interpretation of CSR quality based on a multiple quality scale is similar to the interpretation based on the dichotomous scales. A discussion on this issue is given in Chapter 7.

In relation to the second objective, this thesis shows that companies operating in a society with individualistic value disclosed high quality and quantity of CSR reporting. The results are robust in all sensitivity analyses. Thus, this research suggests that CSR reporting is used as a strategy to show superior achievement of companies operating in a particular nation

or society. Specifically, the regression analyses show support for the premise that CSR reporting decreases with board composition, but that it increases with the presence of a CSR board committee. The sensitivity analyses indicate that the positive effect of CSR board committee on CSR reporting is robust. Support for the influence of government affiliation is shown to be partial: the main model shows that the coefficient for GOVT is significant only for the quality of CSR disclosure, not the quantity. Regression analyses by country demonstrate that government-owned corporations in India and China disclosed high number of CSR sentences (quantity).

Finally, in relation to the third research objective, the hypotheses on interaction variables are partially supported. Both main regression analyses and sensitivity analyses show that individualism interacts with CSR board committees in the CSR reporting model. Initially, it has been suggested that the presence of CSR board committees in companies operating in collectivist societies is more effective than in those companies operating in individualistic societies. However, the sensitivity analyses show that the coefficient for individualism is significant in companies with CSR board committees only. The main regression tests did not demonstrate the affiliation of culture with government in the CSR reporting model. In the sensitivity analyses, it has been shown that individualism enhanced CSR reporting of the non-government-owned companies only. Taken together, it is suggested that CSR reporting has been used as a weapon to show companies' superiority. The next Chapter discusses this issue further.

'That a society controls, to a greater or lesser extent, the behavior of its members is a universal; but the methods, the particulars of that control, vary from one culture to another'.

-Kenneth L. Pike, American Sociologist (1912-2000)-

7 Discussion and Conclusion

7.1 Introduction

This chapter discusses the findings presented in Chapter 6 and summarizes the thesis. The second section synthesizes the objectives of the research. The third section discusses the research findings. It starts with the discussion on the comprehensiveness of the CSR disclosure. This is followed by a discussion concerning the influence of culture on CSR reporting; the institutional background and CSR development of each country adds to the discussion. All the factors that have been incorporated in the CSR reporting model are then discussed. In the fourth section of the chapter the limitations of the research are discussed. In the fifth section, recommendations for future research are provided. The final section of this chapter presents the implications of the thesis.

7.2 Synthesis

This thesis examines the determinants of CSR reporting across countries. It extends previous research by incorporating cultural variables in the CSR reporting model. It contributes to the literature by providing comprehensive measures for CSR reporting. Specifically, this thesis has three research objectives. Firstly, this thesis analyses the nature, quality and extent of CSR reporting practices of environmentally and socially sensitive corporations in China, India, Malaysia and the United Kingdom. Secondly, it examines whether, or not, culture influences CSR reporting. Thirdly, it investigates whether culture interacts with corporate governance and government affiliation in the CSR reporting model.

To achieve these three objectives, four hypotheses have been developed. Firstly, it is hypothesized that the quality and quantity of CSR reporting differs across countries. Secondly, it is predicted that culture determines the quality and quantity of CSR reporting. Thirdly, it is hypothesized that corporate governance and government affiliation increase the quality and quantity of CSR reporting. Fourthly, it is predicted that culture will interact with corporate governance and government affiliation in the CSR reporting model. The findings of this thesis are discussed from four aspects: the comprehensiveness of CSR reporting; the influence of culture on CSR reporting models; the relationship of the results to the institutional backgrounds of countries under study; and finally, the determinants of CSR reporting.

7.3 Research Findings

7.3.1 Comprehensiveness of CSR Reporting

In regard to the comprehensiveness of CSR reporting across countries, two main issues are highlighted: the use of annual reports and corporate websites in CSR reporting, and the measures for CSR reporting quality and quantity.

Firstly, this thesis demonstrates that the number of CSR sentences in annual reports was lower than the number of CSR sentences recorded on corporate websites. This finding is consistent with Frost et al. (2005), in their examination of CSR reporting practices of 25 companies in Australia. Frost et al. (2005) also found that, through their interviews with senior corporate managers in Bangladesh, the annual report is viewed as the least valuable source of information relating to CSR. Belal and Cooper (2011) revealed that corporations do not expect any benefit to be gained from providing disclosure. Managers are questioning why they would have the desire to disclose information, particularly in instances where company performance is poor and such disclosure might generate negative publicity and thus profit

would be impaired. Accordingly, the CSR disclosures of companies in Bangladesh are lacking. This thesis warrants another research question to confirm whether or not a similar situation applies to the countries under study in this current research. For example, it has been shown that almost all the corporations under study have at least one CSR disclosure sentence in their annual reports, regardless of the quality of the sentences. This finding reveals the general awareness of large corporations on CSR issues.

Secondly, in regard to the quality of CSR disclosure, this thesis reports that information in the annual report is less comprehensive, philanthropic, and relates mainly to policy. The disclosure in annual reports mainly relates to category '2' (i.e. policy-related information with some description). This finding is consistent with Beck et al. (2010), who reported that, over a period of five years, there was a dominance of narrative over numerical content of disclosure, with little disclosure of either comparative or contextualized information in the annual reports of corporations in the UK and Germany. Instances in Australia and China showed that CSR disclosure within the online annual report is generally different from, and is less detailed than, the corporate websites of other countries in terms of the presence of a sustainability section or having a stand-alone CSR Report (Williams and Pei, 1999; Guthrie et al., 2008). Accordingly, this thesis reports findings that are similar to those in previous studies.

Thirdly, the quality of CSR information in corporate websites is high. The result is consistent with prior studies which documented significant use of company websites in CSR reporting (Patten and Crampton, 2004; Chapple and Moon, 2005; Frost et al., 2005; Hasseldine et al., 2005). For example, Patten and Crampton (2004) reported that 'corporate web pages appear to be adding at least some additional, non-redundant environmental information beyond what is provided in the annual reports' (p. 31). Interestingly, it should be emphasised that this thesis indicates that much of the information found on corporate

websites is comparative and contextualized. Thus, it can be concluded that although companies provided less detailed disclosures in their annual reports, the CSR information revealed on corporate websites is comprehensive and high in quality.

Fourthly, the highest disclosure in annual reports was on labour.[116] The result is consistent with findings in previous studies (e.g. Gray et al., 1995a; Kolk 2003). It is suggested that companies respond to the stakeholder groups who have direct interest in the future survival of the companies. This is supported by the fact that the disclosures on environment and society were shown to be higher on the corporate websites. Furthermore, companies operating in utilities provided the highest amount of disclosure across all reports, a result which is consistent with the findings in Patten (1992) and Aerts and Cormier (2009). A link between the consumers and the companies in the utility industries is abundantly clear. The results show that companies are aware that their business operations affect the environment and society directly, and that they respond to the group of stakeholders which have a direct interest in the business. In these instances, corporate websites are used as a medium of reporting to communicate the impacts of the business operation on the environment and on society. Finally, information with regard to human rights was the least in evidence across all reports, suggesting that current business operators require a framework that demonstrates the extent to which their business operation affects human right issues.

Taken together, the results suggest that companies manage their disclosure by choosing instances which include the items that should be reported, the medium of reporting, the extent of the disclosure (i.e. the quantity) and the comprehensiveness of information (i.e. the quality). It can be argued that companies are less likely to disclose comprehensive CSR information in their annual reports because the placement of information within an annual report is subject to a weak form of assurance. Auditors must judge whether or not all

[116] The descriptive results in Table 6.3 support this conclusion.

disclosures within the annual report are consistent with the audited financial information (see Fisher, et al., 2004). Thus, corporate websites are the preferred mediums of reporting compared to the conventional annual report.[117]

Secondly, CSR disclosures are less comprehensive in annual reports because companies are managing the information by disclosing information which is relevant to users' needs. Annual reports are prepared for the shareholders (or financial capital market users), who place high importance on the economic performance of a company. Information on corporate websites is directed to larger user groups and various stakeholders (see De Villiers and Van Staden, 2011). Therefore, the quantity of CSR information is higher on corporate websites or CSR stand-alone reports than in the annual report.

Thirdly, the results warrant a discussion from the aspect of methodology. This thesis reports that most companies did not disclose more than 50 per cent of the items in the disclosure index. While the result relates to poor quality of disclosure (e.g. Frost et al., 2005; Beck et al., 2010), it supports the claim by Hammond and Miles (2004), that the description of quality by researchers is more stringent than the definition of quality by companies. Hammond and Miles (2004) documented that assurance providers and academics are alike in their definition of quality. This claim is supported in this study as the relationship between the CSR assurance statement and CSR reporting are significant throughout all the models.

Overall results show no difference in the use of dichotomous scores and multiple scores of quality; these are findings which are consistent with those in previous studies (e.g. Freedman and Jaggi, 2005). However, it should be noted that a conclusion on the comprehensiveness of the disclosures can only be obtained by analysing the disclosures using the multiple scores of quality. For example, the descriptive results of CSR reporting with

[117] This explanation also relates the significant relationship between CSR assurance statement and CSR reporting. The issue is discussed in a later section.

multiple scores of quality are higher than those of the dichotomous scores. Moreover, there is a great difference between the disclosure quality presented on corporate websites and annual reports. A researcher cannot make a conclusion that companies provide poor quality disclosure without taking into account where it is that companies do provide CSR information (see De Villiers and Van Staden, 2011). Accordingly, it is suggested that a researcher should be assisted by an appropriate method of analysis for CSR reporting quality.

Finally, consistent with previous literature, this thesis shows that the CSR reporting quality correlates significantly with CSR reporting quantity (see Haniffa and Cooke, 2002; Joseph and Taplin, 2011; Hooks and Van Staden, 2011). However, issues such as those of quality per sentence by country and quality of CSR reporting using the matrix approach, suggest that the issues of both quality and quantity are important in CSR reporting. This thesis reveals that quality per sentence is the highest amongst Chinese corporations. Thus, this thesis rejects the argument that the analysis of disclosure quantity is more suited to developing countries where the extent of disclosure is low (see Joseph and Taplin, 2011). The analysis of quality per sentence reveals that the measures taken for regulating both quality and quantity of CSR reporting are equally important.

7.3.2 Culture and Country Differences

The relationship between culture and CSR reporting is summarised in Table 7.1. The table simplifies all the analyses in this thesis. The first column itemises the countries under study and the second column ranks CSR reporting by country. A value of 1 represents the highest quality and quantity of CSR reporting. The remaining columns present the cultural attributes as obtained from Hofstede (2001). The cultural variables are ranked by country. A value of 1 represents the highest level of power distance, individualism, uncertainty avoidance and femininity. Firstly, the table shows that corporations in the UK provide the

highest quality and quantity of CSR reporting. This is followed by companies in India, Malaysia and China. Secondly, the ranking for individualism versus collectivism matches perfectly with CSR reporting. Thus, without any statistical test, the table shows a perfect correlation between individualism versus collectivism and CSR reporting. Accordingly, it is suggested that companies operating in a society with a high level of individualism provide high level of CSR reporting. The rest of the cultural variables do not correlate precisely with CSR reporting.[118]

Table 7.1: The Relationship between CSR Reporting and Cultural Variables*

Countries	CSR reporting (Quality and Quantity)	Power Distance (High versus Low)	Individualism versus Collectivism	Uncertainty avoidance (High versus Low)	Femininity versus Masculinity
China	4	3	4	4	3
India	2	2	2	1	2
Malaysia	3	1	3	2	1
United Kingdom	1	4	1	3	4

*CSR reporting quantity and quality are ranked from the highest to the lowest. A value of 1 represents the highest level of power distance, individualism, uncertainty avoidance and femininity.

Specifically, the main regression analyses provide support for the premise that individualism influences CSR reporting. Companies operating in an individualistic society provided high quality and quantity of CSR disclosures. The sensitivity analysis shows that power distance does not influence CSR reporting. CSR reporting increases with the level of masculinity and decreases the level of uncertainty avoidance. Taken together, it is suggested that a company would report voluntarily on CSR activities if management perceived that the particular information is demanded by the society within which it operates. Accordingly, a company would provide good (or poor) quality of CSR reporting in a way which is consistent

[118] The table also shows the ranking for masculinity versus femininity is similar with those of power distance. Thus, a multicollinearity problem has been observed. As discussed elsewhere in this thesis, the multicollinearity problem is one of the weaknesses of Hofstede's (2001) research that has been inherited in this research.

with its *perceived* aggregate level of importance of cultural values in a particular country. Thus, corporations legitimize business impacts on the environment and society through disclosure. Such process of legitimization has been institutionalised within and between systems within organizations.

In respect of interaction variables, the quality of CSR reporting is seen to decrease with the interaction of individualism and CSR board committees. The results suggest that, with the presence of CSR board committees, CSR reporting is significant in countries whose society is collectivist. Regression by country shows that the existence of CSR board committees is more effective in China than in other countries because Chinese society is the most collectivist. In Malaysia, government-owned corporations disclose CSR information of a higher quality than that of their non-government counterparts. These results imply that the CSR reporting practice in Malaysia is greatly influenced by the government's involvement in the CSR agenda.

The preceding discussion shows that national culture influences the extent to which CSR reporting has been practised in China, India, Malaysia and the UK. In general, this thesis supports the contention that culture describes voluntary disclosure behaviour. However, this finding might not be generalized to any sample beyond the scope of this research. This issue is acknowledged as being part of the limitations of this study and future research might attend to the issue further (details are discussed in the latter section of the thesis). The following section discusses the findings of the thesis in relation to the institutional background of each country.

7.3.3 Institutional Background

The findings of this thesis reveal the influence of individualism on CSR reporting. However, as discussed elsewhere in this thesis, culture is an attribute which cannot be

represented solely by numbers and econometric analyses. Moreover, stemming from institutional theory, it is argued that the institutional background of each country governs the reporting behaviour of its corporations. Thus, in this research, the institutional background of each of the sample countries is reported and then related to the study's findings.

7.3.3.1 The United Kingdom

This thesis shows a significant difference in the quality and quantity of CSR reporting across countries. The differences are more significant when comparing companies operating in Asia with those of the UK. Firstly, it can be argued that a country's stage of social and economic development influences the extent of CSR disclosure (e.g. Xiao et al., 2005). The social and economic development in the UK is better than in the Asian countries. Thus, it could influence the stakeholder needs in each country. Whereas people in the UK treat social, environmental and economical issues as equally important; this is in contrast to societies in emerging markets who may prefer to discuss economic issues rather than environmental and social matters. As a result, it affects the quality and quantity of CSR information of the corporations operating in these countries.

Secondly, CSR practices in the UK are at quite an advanced stage because the issues have been addressed by the country since the 1970s. Previous research relates the development of CSR reporting in the UK to the development of Value-added statement (VAS) (see Burchell et al., 1985). UK corporations have prepared VAS statements since the 1970s. Hence, the development of standards pertaining to CSR issues is more in evidence than in other countries. For example, the Companies Act of 2006 requires disclosure of the impact of a company's operation on the community and the environment. Some disclosures with regard to employees and corporate risk (including environmental risk) have also been

made mandatory (ICAEW, 2009). The advanced involvement in CSR issues as well as in the existence of these laws may have influenced CSR reporting practice in the UK.

7.3.3.2 India

The institutional background of India explains why Indian corporations appear to be advanced reporters amongst the emerging markets. Firstly, India has some mandatory requirements pertaining to CSR issues. For instance, section 217 and 217 (2A) of the Companies Act of 1957 mandated a disclosure on the Conservation of Energy and details pertaining to employees. The extent to which the existence of these laws influences CSR reporting as practiced in India could be explained from a cultural perspective. To illustrate this point, the key aspects of Indian social life are influenced by the caste system and its hierarchy. There is 'respect for elders and authority, with key decisions made by, usually, the elder males in family' (Verma and Gray, 2009). Therefore, due to the importance of hierarchy or India's caste system, the legal regulation of accounting is evident in India. For example, when faced with accounting choice, India prefers legal means by which to choose (Verma and Gray, 2009).

Secondly, India has the world's most significant business processes and IT service providers (Rajagopalan and Zhang, 2008; Mir et al., 2009). Thus, the corporations are likely to disclose CSR information voluntarily on their corporate websites because they already have the CSR data in place (in response to the mandatory requirements on CSR disclosure).

7.3.3.3 Malaysia

Malaysian corporations provide the highest number of CSR sentences in annual reports. This scenario is associated with the Bursa Malaysia requirement, which requires companies to disclose CSR activities in corporate annual reports as part of the listing

requirements. Bursa Malaysia provides a framework that describes how CSR information should be disclosed in the corporate annual report. However, the framework only states that CSR information can be disclosed in four categories of information: market, environment, society and business. As a result, companies in Malaysia disclose CSR information in order to fulfil this requirement, without paying any particular attention to the comprehensiveness (or quality) of disclosure.

Secondly, the findings show that there is a significant association between government affiliation and CSR reporting in Malaysia. The business settings in Malaysia may explain this finding. To illustrate, the New Economic Policy (NEP) has resulted in many Government-Linked Companies (GLCs) becoming relatively large corporations. These companies face social legitimacy to a greater extent than their non-government counterparts because they are operating with the use of government resources and capital. From a socio-political viewpoint, their operations reflect the commitment of the ruling party.

7.3.3.4 China

The Chinese corporations in the sample have some interesting features. Firstly, the findings show that the corporations in China provided the least levels of disclosures across all reports. However, the sensitivity analysis reveals that Chinese corporations provide a high quality of CSR reporting per sentence. This finding is consistent with the longitudinal analysis of CSR disclosure practices in the UK and Germany over a period of five years. Beck et al. (2010) reported that the British sample outperformed the German sample in terms of volume (i.e. word count), but that there was no statistically significant difference found in the quality of reporting between the two countries. In a context of culture, the findings in Beck et al. (2010) refuted a claim that German companies are generally secretive. Likewise, in this thesis shows although Chinese corporations provided less quantity and quality of CSR

disclosures, they scored the highest in quality per sentence score. This means, a claim that Chinese corporations are less likely to provide CSR disclosure due to secrecy cultures was also not shown in this thesis.

Secondly, cultural context may also explain why the existence of a CSR board committee is more effective in China than in other countries. The results imply that a collectivist society prefers a unique governance mechanism to enhance CSR reporting. Relevant to this issue are the teachings of Confucius; these have traditionally fostered the values and norms of the Chinese society, including accounting practice. For example, the principle of *wulun* emphasizes the respect for authority and social inequality in Chinese culture, in which superiors are expected to exercise their autocratic power and followers to submit to every decision made by the superiors (Tsui, 2001). Accordingly, the existence of CSR board committees is effective in China because it suits the prevailing Chinese culture.

7.3.3.5 Active and Emerging Reporters

Taken together, the results demonstrate that corporations' involvement in CSR reporting can be grouped into two: active reporters and emerging reporters. Active reporters are those who frequently disclose CSR sentences both in terms of quality and quantity; whereas, the emerging reporters are those who engage in CSR reporting but make little effort to show their commitment. Corporations in the UK and India are considered to be active reporters; whereas, corporations in China and Malaysia are considered to be emerging reporters. Any changes in legislation and organizational structure may change the CSR reporting practices of corporations in both Malaysia and China.

7.3.4 Other Variables in the CSR Reporting Model

7.3.4.1 Corporate Governance

In regard to board composition, this thesis reports mixed findings. The quality of CSR reporting in annual report decreases with board composition. In a sensitivity test, it was reported that the CSR quality decreases with the number of independent directors. Accordingly, the overall results reveal the substitute-monitoring role of independent directors. This result is consistent with the findings of several previous studies on the relationship between corporate governance and voluntary disclosure in annual reports; these were conducted in Hong Kong (Cheng and Jaggi, 2000); Singapore (Eng and Mak, 2003) and Malaysia (Haniffa and Cooke, 2002). De Villiers et al. (2011) found that the relationship between the number of independent directors and environmental disclosure is positive but is inclined to turn negative after a certain point. This thesis does not show any support for the argument.

However, it is worth noting that further investigation is needed to confirm whether the findings are influenced by information which has not been captured in this thesis. For example, Chau and Gray (2010) reported that "while the extent to which independent non-executive directors are appointed to the board is positively associated with voluntary disclosure, the role of such directors is mitigated by the role of chairman" (p. 93). This means, role duality of the chairman could explain why the CSR disclosure in annual report decreases with the board composition. Gul and Leung (2004) reported a finding similar to that of Chau and Gray (2010), in which there is a negative relationship between CEO duality and voluntary disclosure, but the existence of independent directors moderates the negative relationship.[119]

[119] Nevertheless, in a pilot test of 70 corporations, the influence of role duality had been examined. The initial results show insignificant influence of role duality on CSR reporting. As a result, role duality issue has not been investigated in the main tests. This issue is left for future research.

The results show that the existence of a CSR board committee increases with CSR disclosure in the annual reports and on corporate websites. The presence of a committee shows a company's concern to legitimize their social and environmental reputation (Neu et al., 1998; Wahyuni et al., 2009). Thus, it is suggested that companies which engage their directors as members of the CSR committee are more committed to the provision of CSR disclosure. Thus, as De Villiers et al. (2011) suggest, 'directors should not be appointed haphazardly but, rather, with the view to improving elements of board design that will provide the necessary monitoring skills and resources to pursue a strong environmental agenda' (p. 22).

7.3.4.2 Government Ownership

In the overall sample, reporting on the support for the influence of government affiliation on CSR is inconsistent. However, regression analysis by country shows that the existence of government shares in companies in China enhances the number of CSR sentences disclosed across all reports. The finding is consistent with the literature relating to research on voluntary disclosure conducted in China (see Liu and Anbumozhi, 2009). The quality and quantity of CSR reporting of companies in Malaysia increased with the government shares. The results confirm the findings of the research conducted in Malaysia over several periods of time (see Mohd Ghazali, 2007; Amran and Devi, 2008; Othman et al., 2011). More importantly, in relation to the cultural issues and institutional background of the business environment in Malaysia, there is some evidence of the existence of a close relationship between the Malaysian government and the country's large corporations; this has been previously referred to in a point which has been narrated elsewhere in this thesis. Finally, in India, regression analysis by country shows that India's government-owned corporations provided less CSR disclosure than other Indian corporations on their corporate

websites. Thus, from the perspective of culture, it is suggested that government-owned corporations in India restrict CSR reporting because these corporations perceive a high level of uncertainty as to whether or not the benefit of disclosure outweighs its cost. This means, that there is a prevalence of high level of uncertainty avoidance in Indian society.

7.3.4.3 CSR Assurance Statement

In regard to statement of assurance, this thesis finds considerable support for the relationship between the assurance statement and CSR reporting. Although the literature reports that the usage of assurance statement is lacking in uniformity and standardization (see Deegan et al., 2006), this thesis shows that the assurance statement is capable of enhancing the quality and quantity of CSR disclosure. However, the 2-stage OLS confirms the endogeneity between CSR assurance and CSR reporting. Thus, two explanations can be given. Firstly, that companies purchase assurance service with the intention of enhancing the credibility of CSR reporting (i.e. it is the existence of CSR reporting that drives companies to have an assurance statement). Secondly, it is the assurance statement that increases the quality and quantity of CSR reporting. The latter is consistent with the objective of assurance engagement: to reduce expectation gaps between the stakeholders and the companies (see Deegan et al., 2006).

7.3.4.4 Big-4 Auditors

This thesis shows that Big-4 auditors enhance the quality and quantity of CSR reporting in the annual report, but not on corporate websites. The results suggest that the auditing process enhances the credibility of CSR information in the regulated set of reports. The overall findings of this thesis are consistent with the studies conducted in China (see

Wang et al., 2008) and in Malaysia (see Haniffa and Cooke, 2005; Amran and Devi, 2008).[120] Interestingly, the correlation test between independent variables shows that auditor choice varies significantly between countries; a finding which is consistent with Hope et al. (2008). Regression by country confirms the findings of previous studies. For example, in Malaysia, there is no support to indicate that Big-4 auditor enhances CSR reporting. However, such cases are found in China (only in respect of CSR reporting quantity) and in India (only in respect of CSR reporting on corporate websites).

7.3.4.5 Listing Status and Proportion of Subsidiaries Overseas

A company's involvement in the CSR reporting is determined by its level of globalization; the more complex the business structure, the higher the corporate involvement in CSR reporting. This thesis shows considerable support for the supposition that listing status and foreign shareholdings enhance the quality of CSR reporting. This is consistent with the literature on voluntary disclosure (e.g. Webb et al., 2008) and environmental disclosure (e.g. Aerts and Cormier, 2009). Arguably, the CSR reporting agenda is a global issue. Thus, a company's involvement in CSR reporting reflects their legitimacy to stakeholder constituents at the global level. In other words, companies are responding to the forces facing them at international level. This argument supports institutional theory.

7.4 Linking Findings to Institutional Theory

As discussed in Chapter 2 and Chapter 4, institutional theory suggests that attributes such as coercive, mimetic and normative structures describe the similarity of accounting practices within and across organizations. This thesis argues that the use of institutional

[120] Haniffa and Cooke (2005) and Amran and Devi (2008) also did not report any significant influence of Big4 auditor on CSR reporting.

theory should be extended to explain accounting practices across the broader scope of research environment. In this thesis, CSR reporting data has been obtained across countries and cultural issues; this data is described within the scope of institutional theory. The findings show that institutional theory is not only capable of describing the similarities, but also differences in CSR reporting practices across organizations. Specifically, factors such as the existence of a CSR board committee and government ownership are regarded as coercive isomorphism. The findings show that these variables enhance the quality and quantity of CSR reporting. In relation to mimetic structure, companies operating in a similar industry disclose CSR information because they regard such practice as being conceptually correct. This thesis has not tested this proposition. However, the sampling procedure has been employed in the spirit of mimetic structures. Thus, the overall findings demonstrate the factors that explain the CSR reporting practices of large corporations operating in socially and environmentally sensitive industries. Finally, normative structures relate to the pressure to conform to forces stemming from certain professional and occupational groups. In this thesis, the CSR reporting index has been developed based on the GRI indicators. Therefore, the findings show the extent to which corporations abide with the voluntary standards set by the GRI institution. Taken together, isomorphism including coercive, mimetic, and regulative structures brings similarity in CSR reporting practices across companies.

Nonetheless, this thesis reports that CSR reporting practice differs across countries. This implies that factors that have been institutionalised in one country may differ from those of another. For example, the regulative structures in Chinese corporations are different from those in Malaysian corporations: the government-owned corporations in Malaysia disclose CSR information in a larger quantity than that disclosed by non-government owned companies. A similar result does not apply to Chinese corporations. Likewise, the majority of

corporations in the UK follow the GRI reporting. Apparently, the normative structures are more effective in the UK than in other countries.

7.5 Limitations

This thesis offers several caveats to the above findings. Firstly, this research does not address the question of whether, or not, the findings relate to the legitimacy reasons of reporting. For example, Patten and Crampton (2004) reported that the negative information is less likely to appear in the corporate website than in the annual report. Cho et al. (2010) found that, in the process of providing corporate disclosure, corporations manage stakeholder impressions by using biased language, concealment and attribution in order to present a more favourable depiction of their performance. As a result, corporate websites have been used as a means of favourable depiction for companies with poor environmental performance (Cho and Roberts, 2010). Similarly, De Villiers and Van Staden (2011) reported that firms disclose more information in the annual reports when they have an adverse environmental reputation, but disclose more information on corporate websites when there is an environmental crisis. Arguably, for further investigation, an alternative theory to that which is employed in this thesis should be used in order to establish whether information supplied by companies uses tones or bias to conceal actual CSR performance. These aspects are left for future research.

Secondly, in this thesis aspects of culture are assessed in accordance with Hofstede's cultural taxonomy. Thus, any limitations in Hofstede's work may be inherited by this study. To compensate for any such limitation, data relating to the institutional backgrounds of the countries studied has been provided in Chapter 3 and Chapter 7. However, data on institutional environment has not been tested directly in this study.[121] Accordingly, findings on the influence of individualism and masculinity on CSR reporting should be interpreted

[121] Some of these issues have been discussed in section 2.6.6 in this thesis.

within the context of countries under study. Thirdly, the generalizability of the overall research findings is also limited because this thesis aims to provide both comprehensive and hand-collected CSR reporting data. Moreover, CSR reporting data was obtained from a single time frame. Thus, the findings of this study should be interpreted in light of these limitations. Fourthly, the self-selection issue in the sampling procedure could also pose a threat to the research findings. For example, due to the nature of the sampling procedure, this thesis is not able to provide data on government-owned corporations in the UK; apparently, all UK corporations are privately owned. Moreover, the findings should not be generalized to any sample beyond that of the focus groups; i.e. large corporations operating in socially and environmentally sensitive industries.

7.6 Future research

The limitations of this thesis provide an opportunity for future research. Firstly, future research might consider examining the language of disclosure. Content analysis should aim to understand whether the CSR information contains bias and tone that may influence reporting decisions. Future research could consider analysing CSR performance. A theory relevant to the CSR performance issues, in addition to the careful design of research methodology, should be employed. For example, any items in the disclosure index of this study can be used to measure CSR performance in cases where information is obtained from sources alternative to those which are available in the public domain. The data which is obtained from the Environmental Department of a country can be examined. Alternatively, the internal data related to business impact on society and the environment can provide further insight into CSR reporting and performance. Thus, future studies should consider the internal aspects of reporting.

Secondly, to overcome the problems of the generalizability of the findings, this researcher suggests that the results of this study be compared with those of companies in other countries. Japanese corporations are a good choice because Japan is comparable with the United Kingdom in terms of the promulgations of the environmental legislation. In addition, the literature documents that corporations in Japan disclose significant amounts of social and environmental disclosure in their corporate reports (see Kolk, 2003; KPMG, 2005). In terms of the cultural paradigm, Hofstede (2001) classified Japan as a society with the highest level of masculinity. An alternative method of improving the generalizability of the findings is by increasing the number of countries examined under the study. However, in achieving generalizability, a researcher who examines cultural issues should not comprise analysis by understating the institutional environment and background of countries under study. In regard to the issue of timeliness, future research can be longitudinal. A longitudinal study will provide an understanding of the changes in the cultural values of a society, which result from change in institutional and social structures. However, given the CSR reporting data in this thesis is hand-collected, it is almost impossible (and rather ambitious) for a positivist researcher to consider a longitudinal analysis, unless there is a readily available database that provides the necessary CSR reporting data.

Thirdly, future studies may consider an interpretive approach to answer questions that may evolve from the findings of this thesis. For example: Why are relevant CSR regulations absent in China (at least at the time when the study was conducted)? Is it because the country has never been colonized by countries from outside its own culture? Or is it because the country wants to have its own unique form of regulation? As for India, did the British colonization in the 1950s influence the country's promulgation of the relevant CSR standards? To what extent are the relevant standards on CSR issues in India similar to those of the UK? Why does Bursa Malaysia require CSR disclosure? Indeed, issues surrounding the

development of the appropriate CSR standard and the historical, cultural and social settings of these countries are worth exploring. Furthermore, an interpretive research can explain *why* culture, governance structure and CSR reporting are interrelated.

Fourthly, a researcher from the accounting stream might collaborate with researchers from other disciplines in designing an appropriate research methodology. Such a collaboration project would provide a rich understanding of the CSR reporting issues. Interviews with the parties involved in the implementation of CSR missions and the individual vision of the corporations involved in the research could be conducted. The interviews would reveal issues pertaining to a nation's underlying culture which tends to be broader than the overall national culture; this underlying culture includes organizational culture and individual cultural values and ethical paradigms. In such a collaborative research, CSR board committees should also be interviewed. Certainly, more data is needed to understand issues including the composition of board committees, the background of each board member, and their understanding on CSR issues. Thus, a qualitative research that interprets and understands the organizational structures and the interrelated systems within and between the organizations can provide further research insight into the CSR reporting practices of companies under study.

Fourthly, in regard to the control variables used in this study, future research might consider a thorough investigation of the assurance process. This thesis shows a significant relationship between assurance statements and CSR reporting research. Future research could examine the corporate intent to have CSR information assured by establishing a link between the intentions of the firms and the usefulness of the CSR reporting (e.g. Simnett et al., 2009). In a similar vein, this thesis shows that Big 4 Audit firms enhance the quality of CSR disclosures in the annual reports. More importantly, the sensitivity analysis shows that corporations in China provided the highest level of quality per sentence. Thus, further

investigation is needed to ascertain if *green washing* is part of the strategies employed in disclosure practices.

Finally, future studies could examine the extent to which the disclosure is useful to users of CSR information. For example, future studies could examine the number of times the corporate websites are accessed by the users and who the users are. In addition, future research that employs theories from information streams which are purely economic can examine if financial market users credit the CSR disclosures that have been documented in this thesis.

7.7 Implications

Overall, the findings demonstrate the effect of culture in the CSR reporting model. Specifically, this thesis contributes to the CSR reporting literature and provides implications for CSR reporting practices across countries and the policy making process. Firstly, this thesis finds the CSR reporting in each country is unique and specific to the institutional background of that country. It is suggested that researchers should consider the organizational and institutional background of a society before making generalizations concerning the effects of culture on the CSR reporting model. The findings confirm institutional theory by demonstrating that CSR reporting is institutionalized. More importantly, the findings demonstrate the capability of this theory to describe both homogeneity and heterogeneity in accounting practice. Secondly, it is suggested that policy makers draft policies which suit the local culture. For example, to ensure homogeneity in CSR reporting, the existence of CSR board committees should be made compulsory in a collectivist society. Such a regulation is not seen as appropriate in an individualistic society because that society will voluntarily form CSR committees regardless of policy; perhaps, this is the nature of an individualistic society which governs the way in which their managers behave. Finally, the results show that various

measures of CSR reporting in the robustness tests show some unexpected results. For example, it has been reported that Chinese corporations provided the lowest quality and quantity of CSR reporting across all companies. However, the robustness tests using quality per sentence reveal that even although Chinese corporations did not disclose much of CSR sentences, what they disclosed were high in quality. This result refutes the claim that Chinese corporations are less likely to provide CSR disclosure due to secrecy cultures. This finding implies that comprehensive measures of CSR reporting is necessary to help researchers making a valid conclusion on the CSR reporting practices across organizations. Thus, it is suggested that future research should consider all mediums of reporting in the analysis of CSR reporting (e.g. De Villiers and Van Staden, 2011). A thorough analysis of the reporting mediums, the nature and quality of disclosure provides a complete overview of the CSR reporting practices within an organization.

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Appendices

Appendices to follow in the following pages

Appendix A: Economic Indicators, Social Indicators, History and Current Issues[122]

Economic Indicators	**China**	**India**	**Malaysia**	**United Kingdom**
GDP: purchasing power parity	US$7.8 trillion	US$3.3 trillion	US$386.6 billion	US$2.2 trillion
GDP real growth rate:	9%	6.6%	5.1%	0.7%
GDP composition by sector:				
Agriculture:	10.60%	17.20%	9.70%	0.90%
Industry:	49.20%	29.10%	44.60%	22.80%
Services:	40.20%	53.7%	45.7%	76.2%
Industrial Production Growth Rate	10.7%	4.8%	4.0%	-0.1%
Foreign investment	US$92.4 billion	US$27.3 billion	US$92.8 billion	US$1.4 trillion
Investment abroad	US$40.7 billion	US$46.2 billion	US$50.1 billion	US$1.8 trillion
Inflation rate (consumer prices):	5.9%	7.8%	5.8%	3.8%
Social Indicators				
Labour force:	774.8 million	523.5 million	10.76 million	31.2 million
Unemployment rate:	4.2% (in urban areas. Substantial unemployment in rural areas)	6.8%	4.0%	5.5%
Population	1.3 billion (January 2009)	1.2 billion (July 2009 estimate)	27 million (July 2009 estimate)	61 million (July 2009 estimate)
Ethnic Groups	Han Chinese 91.9%, Zhuang, Uygur, Hui, Yi, Tibetan, Miao, Manchu, Mongol, Buyi, Korean, and others 8.1%	Indo-Aryan 72%, Dravidian 25%, Mongoloid and others 3% (2000)	Malay 50.4%, Chinese 23.7%, Indigenous 11%, Indian 7.1%, others 7.8% (2004 estimate)	White 92.1%; black 2%, Indian 1.8%, Pakistani 1.3%,mixed 1.2%, others 1.6% (2001 census)
Religions	Daoist (Taoist), Buddhist, Christian 3% - 4%, Muslim 1% - 2% (2002 estimate) Note: officially atheist	Hindu 80.5%, Muslim 13.4%, Christian 2.3%, Sikh 1.9%, other 1.8%, unspecified 0.1% (2001 census)	Muslim 60.4%, Buddhist 19.2%, Christian 9.1%, Hindu 6.3%, Confucianism, Taoism and other traditional Chinese religions 2.6%, other or unknown 1.5%, none 0.8% (2000 census)	Christian (Anglican, Roman Catholic, Presbyterian, Methodist) 71.6%, Muslim 2.7%, Hindu 1%, Other 1.6%, unspecified or none23.1% (2001 census)

[122] Sources: Mergent Online Databases (Country Profiles). All data are in year 2008 (estimate), unless otherwise stated.

History and Legal System	China	India	Malaysia	United Kingdom
Independence	221 BC (unification under the Qin or Ch'in Dynasty); January 1, 1912 (Manchu Dynasty replaced by a Republic); October 1, 1949(People's Republic established)	August 15, 1947 (from UK)	August 31, 1957, from the UK	England has existed as a unified entity since the 10th century. The United Kingdom of Great Britain and Northern Ireland was adopted in 1927.
Legal System	Based on civil law system; derived from Soviet and continental civil code legal principles; legislature retains power to interpret statutes; constitution ambiguous on judicial review of legislation; has not accepted compulsory International Court of Justice (ICJ) jurisdiction	Based on English common law; judicial review of legislative acts; accepts compulsory ICJ jurisdiction with reservations; separate personal law codes apply to Muslims, Christians, and Hindus	Malaysia's legal system is based on English common law; judicial review of legislative acts in the Supreme Court at request of supreme head of the federation; Islamic law is applied to Muslims in matters of family law and religion; but have not accepted compulsory ICJ jurisdiction.	The legal system in UK is based on common law tradition with early Roman and modern continental influences. The system has nonbinding judicial review of Acts of Parliament under the Human Rights Act of 1998, and accepts compulsory ICJ jurisdiction, with reservations.

Current Issues: Environment	**China**	**India**	**Malaysia**	**United Kingdom**
	Air pollution (greenhouse gases, sulphur dioxide particulates) from reliance on coal produces acid rain; water shortages, particularly in the north; water pollution from untreated wastes; deforestation; estimated loss of one-fifth of agricultural land since 1949 to soil erosion and economic development; desertification; trade in endangered species	Deforestation; soil erosion, overgrazing, desertification, air pollution from industrial effluents and vehicle emissions, water pollution from raw sewage and runoff of agricultural pesticides, tap water is not potable throughout the country and huge and growing population is overstraining natural resources in India.	Malaysia's current environmental issues include air pollution from industrial and vehicular emissions, water pollution from raw sewage, deforestation and smoke/haze from Indonesian forest fires.	The UK is striving to reduce its greenhouse gas emissions under the Kyoto Protocol, aiming for a cut of 12.5% from 1990 levels and a 20% cut in emissions by 2010. In 2005 the Government pledged to reduce the amount of industrial and commercial waste disposed of in landfill sites to 85% of 1998 levels and to recycle or compost at least 25% of household waste, increasing to 33% by 2015.

Appendix B: Hofstede's Cultural Taxonomies

Country	Power Distance		Individualism		Uncertainty Avoidance		Masculinity	
	Score	Rank	Score	Rank	Score	Rank	Score	Rank
UK	35	43	89	3	35	47.5	66	9.5
India	77	10.5	48	21	40	45	56	20.5
Malaysia	104	1	26	36	36	46	50	25.5
China	68	15.5	25	37	29	49.5	57	18.5

Sources: Hofstede, 1991

Appendix C: Disclosure Index

Environmental Performance Indicators	**Code**	**Maximum**
Materials used	E1	5-point scale
Percentage of input that is recycled	E2	5-point scale
Discussion on recycling efforts (recycled inputs/ recycled waste)	E3	5-point scale
Direct/indirect energy consumption	E4	5-point scale
Energy saved due to conservation and efficiency	E5	5-point scale
Initiatives to reduce energy consumption	E6	5-point scale
Water used disclosure	E7	5-point scale
Water recycling	E8	5-point scale
Impacts on biodiversity	E9	5-point scale
Habitats protected or restored	E10	5-point scale
Strategies or plans for managing impacts on biodiversity	E11	5-point scale
Greenhouse gas emissions	E12	5-point scale
Initiatives to reduce greenhouse gas emissions	E13	5-point scale
Other emissions disclosure	E14	5-point scale
Impacts of emissions on climate changes or country	E15	5-point scale
Wastewater disclosure	E16	5-point scale
Weight of waste and disclosure method.	E17	5-point scale
Disclosure on significant spills/environmental accidents	E18	5-point scale
Hazardous waste disclosure	E19	5-point scale
Initiative to mitigate environmental impacts of product/service	E20	5-point scale
Product packaging impact on the environment	E21	5-point scale
Fines or sanction for environmental citation	E22	5-point scale
Impacts of transportation of goods or employees	E23	5-point scale
Total environmental expenditures	E24	5-point scale
SOCIAL PERFORMANCE INDICATORS		
Impact of programs on communities	S1	5-point scale
Charitable donations and activities	S1a	3-point scale
Support for education	S1b	3-point scale
Support for public health/volunteerism	S1c	3-point scale
Support for the arts and culture/sports/recreational project	S1d	3-point scale
Anti-corruption programs and policies	S2	3-point scale
Discussion on public policy involvement	S3	3-point scale
Political contributions	S4	3-point scale
Policies regarding anti-competitive behaviour	S5	3-point scale
Fines or sanction for non-compliance	S6	5-point scale
Employee/Labour		
Total workforce by employee type or region	L1	5-point scale
Disclosure on employee turnover	L2	5-point scale
Discussion of significant benefit program provided (e.g. remuneration)	L3	5-point scale

Employees covered by collective bargaining agreements.	L4	5-point scale
1. Employee engagement	L4a	3-point scale
2. Employee satisfaction survey/speak up programs	L4b	3-point scale
3. Employee morale	L4c	3-point scale
Minimum notice period(s) for operational changes	L5	3-point scale
Rates of work-related injury/illness/deaths	L6	5-point scale
Education/training on serious illnesses/safety hazards	L7	5-point scale
Employee training (average hour per employee)	L8	5-point scale
Programs for skills management /career enhancement	L9	5-point scale
Employees receiving regular reviews.	L10	5-point scale
Ratio of men to women workers /ratio of salary	L11	5-point scale
Human Rights Policies		
Human rights screening on investment agreement	H1	3-point scale
Human rights screening on suppliers	H2	3-point scale
Employees training on human rights policies	H3	5-point scale
Diversity or non-discrimination program	H4	5-point scale
Policies on freedom of association or collective bargaining	H5	3-point scale
Policies on child labour	H6	3-point scale
Policies on forced and compulsory labour	H7	3-point scale
Training of security personnel on human rights	H8	5-point scale
Policies or programs on indigenous rights	H9	3-point scale
Product Responsibility		
Assessments of products or services for safety issues	P1	5-point scale
Product labelling requirements	P2	3-point scale
Practices related to assessing customer satisfaction	P3	5-point scale
Marketing-related laws and codes	P4	3-point scale
Policies regarding customer privacy	P5	3-point scale
Economic Indicators		
Direct economic value generated and distributed	C1	5-point scale
Financial implications/risks/opportunities due to climate change	C2	5-point scale
Indirect economic impacts	C3	5-point scale
Organizational Profile and Strategies		
Statement from CEO on the relevance of sustainability to organization	X1	2-point scale
Description of key impacts, risks and opportunities	X2	3-point scale
CSR policies or system (environmental/social)-e.g. EMS	X3	3-point scale
Awards received on CSR activities/reporting	X4	2-point scale
Missions/values/code of conduct relevant to CSR topics	X5	3-point scale
Commitments to external initiatives (e.g. membership)	X6	3-point scale
Discussion on stakeholder engagement	X7	3-point scale

Appendix D: Variable Measurements and Source of Information

Variables	Symbol	Operationalization	Year	Source of information
Dependent variables:				
CSR Quality in Annual Report	QUALITYAR	Content analysis (score of 0 to 4)	2008/2009	Annual report
CSR Quality in CSR stand- alone reports and corporate websites	QUALITYWEB	Content analysis (score of 0 to 4)	2008/2009	Corporate Websites
CSR Quality in all reports	QUALITYALL	Content analysis (Maximum score for each item in CSR index)	2008/2009	Annual report/websites
CSR Quantity in Annual Report	QUANTITYAR	Content analysis (sentences counting)	2008/2009	Annual report
CSR Quantity in CSR stand- alone reports and corporate websites	QUANTITYWEB	Content analysis (sentences counting)	2008/2009	Corporate Websites
CSR Quantity in all reports	QUANTITYALL	Content analysis (sentences counting)	2008/2009	Annual report/websites
Independent variables:				
Corporate Governance:				
Board composition	BC	Ratio of non-executive directors to total number of directors on the board	2008/2009	Annual Report/Mergent Online
Existence of CSR committee in board	COM	If a company has CSR committee-Dichotomous	2008/2009	Annual report (hand-collected)
Government Ownership:				
Government Dichotomous	GOVT	If shareholding is owned by the government/state-dichotomous	2008/2009	Annual report (hand-collected)
National Culture:				
Individualism	IND	Rank, by country	1991	Hofstede, 1991
Power Distance	PD	Rank, by country	1991	Hofstede, 1991
Uncertainty Avoidance	UA	Rank, by country	1991	Hofstede, 1991
Masculinity	MAS	Rank, by country	1991	Hofstede, 1991
Control Variables:				
BIG4auditor	BIG4	If a company is audited by Big-4 Audit firms-dichotomous	2008/2009	Annual report/Mergent Online
CSR assurance statement	ASS	If a company has an assurance statement for CSR report	2008/2009	Annual report (hand-collected)
Listing	LIST	If a company is listed overseas-Dichotomous	2008/2009	Annual report/Mergent Online
Subsidiaries	SUB	Proportion of overseas subsidiaries in relation to total number of subsidiaries	2008/2009	Annual report/Mergent Online
Country*	COUN	Country where a company based	2008/2009	Compustat Global
Market Capitalization*	MCAP	Number of shares outstanding times prices (in USD)	2008/2009	Compustat Global

*These variables have been controlled in the sample selection process

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