

# Corporate Sustainability Reporting in Emerging Economies - A Review and Future Direction

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**Abstract:** *Over the last few decades public awareness of the environmental, social and economic impacts of business has increased at a dramatic rate. In parallel with this, the development of communications technology has both empowered and enraged stakeholders who are increasingly aware of irresponsible practices. Social reports (covering issues such as labour rights and community impacts) have also increased as have sustainability reports, but not yet at the same rate as environmental disclosures. Companies find it easier to enter the field with an environmental report, as the parameters are, arguably, more clearly defined and the metrics more straightforward. Stakeholders are demanding more information on social and financial aspects, so as companies gain confidence in their environmental reporting programmes, these develop to cover wider social, community and financial aspects. The study extends the reviews of Corporate Social Reporting literature to the emerging economies. Most of the studies used content analysis method and ascertained the extent and volume of disclosures contained within the annual reports. On the basis of the reviews, the present study has enhanced some important future research questions.*

**Keywords:** Corporate sustainability Reporting. Corporate social reporting, corporate social responsibility, social value, corporate ethics

## 1. Introduction

Over the last few decades public awareness of the environmental, social and economic impacts of business has increased at a dramatic rate. In parallel with this, the development of communications technology has both empowered and enraged stakeholders who are increasingly aware of irresponsible practices. Companies are therefore now under mounting pressure, from investors, governments, NGOs and others, to demonstrate their efforts to manage the impacts of their operations. Furthermore, some leading corporations are now recognizing the benefits of trust and a focus upon integrity, accountability and transparency at all stages of their operations.

## 2. Classification Framework of CSR Studies in Emerging Economies

For a useful review of prior CSR studies a categorization or classification framework is developed in this section. The framework has been developed by considering the historical context of CSR research in general. Historically, most of the earlier CSR studies used content analysis method to examine the motivations and determinants of CSR. While this trend still continues, recently CSR researchers have moved on to examine managerial and other stakeholders' perceptions of CSR more directly by using methods such as in depth interviews. Using the current classification framework in this study, existing CSR research within emerging economy context are reviewed under three categories. Brief descriptions of these categories are provided in Table -1.

**Table 1:** Emerging Economy CSR Research by Thematic categories and Research Methods

Categories	Research methods	Brief Description	CSR studies
Studies related to extent and level of CSR and their determinants	Content analysis	It is concerned with quantitative studies which indirectly explore corporate motivations behind CSR by measuring the volume and the level of disclosures	Azlina Rahim, Zaharah Abdullah and Zaleha Mahat (2003); Nafez Abu_Baker (2000); Tarv Vontisjarvi (2006); Murthy V and Abeysekera. I (2008)(5)
Managerial perceptions studies	Questionnaires and interviews	It covers the qualitative studies which directly explore corporate motivations behind CSR mainly via in-depth interviews with relevant corporate managers. What organizations say and how they say it when reporting CSR.	Devinder Grewal, Nicholar James Darlow (2007); Aatur Rahman Belal, David L. Owen (2007); Crawford Spence (2007); Dr. Aatur Rahman Belal, Stuart Cooper (2007)(4)
Stakeholder perceptions studies	Questionnaires and interviews	The qualitative studies which explore CSR from the stakeholder perspective mainly via in- depth interviews with relevant stakeholder groups. Determined the actual level as well as expected level of various groups regarding various different aspects of CSR	Darlene A.Pearson(2005); Hein Schreuder (1981); Pamela Stapleton and David Wood Ward (2009); Nurlina Md Rahim (2009); Mahdi Salehi and Zhila Azary (2009)(5)

## 2.1 Corporate Sustainability Reporting Research in Emerging Economies

### 2.1.1 Studies related to extent and level of CSR and their determinants

Nafez Abu\_Baker (2000) explored the knowledge about corporate social reporting and disclosures as emerging accounting issues and about Jordan's response to such as issue. The principal objective of this study is to provide an examination of key aspects of CSR practices in Jordan, namely, the extent, themes, methods, locations and amounts of CSR in the company's annual reports. This study examined the annual reports of a sample JSCs (Jordanian shareholding companies) in order to determine the extent and nature of CSR practice in Jordan. The findings show that the sampled annual reports made some sort of corporate social disclosure (CSR). However, CSR seems to have received modest attention from most companies in Jordan in terms of the space devoted and subjects covered by such disclosure in annual reports[9]. Azlina Rahim, Zaharah Abdullah and Zaleha Mahat (2003) carried out a study of Corporate Social Reporting (CSR) on Occupational safety and Health in Malaysia with the objectives to identify the companies that disclosed information on OSH in the annual report, to examine the aspects of OSH information disclosed in the annual report, and to investigate the attributed towards disclosure of OSH information in the annual report. The study covers the social reporting of OSH disclosure in the annual reports for the year 2003. For that particular year, 304 companies were under study. It was found that, some of the companies not taking the disclosure as important because there is no requirement by the Bursa Malaysia or securities commission to disclose on the occupational safety and health. Meanwhile, the disclosure of corporate social reporting is still on voluntary basis in Malaysia.

Alex Douglas, John Doris, Brain Johnson (2004) conducted the Case Study: Corporate Social Reporting in Irish Financial Institutions and proposed a four state framework for measuring corporate social responsibility reporting and argues that TQM or excellent organizations should be in an advanced state of social responsiveness and that this should be reflected in their reporting of such activities[1]. With the aim to examine the nature of corporate social reporting with particular reference to Irish financial institutions in terms of the quality and quantity of disclosure of such information. A sample of six Irish banks and four international financial institutions was selected. The annual reports of all ten institutions were analyzed. Data collected to evaluate social disclosure was taken from corporate annual reports from 1998 to 2001. The survey has revealed considerable discrepancies in corporate social reporting, both in terms of whether financial institutions disclose social information at all and if they do, the means used to disclose it. The study suggests social reporting found in the annual reports of the Irish Financial Institutions is engaged at a fairly superficial level.

Tarv Vontisjarvi (2006) examined by means of content analysis the extent to which the finest biggest companies have adopted socially responsible reporting practices. The research focuses on Human Resource (HR) reporting and

covers corporate annual reports. The target population of 205 biggest Finnish companies (employing at least 200) was selected by following the leading business journal Talorselama's list of top 500 companies[12]. The results of the content analysis indicate that social reporting practices are still at an early stage of development in Finland. The most reported theme was 'training and staff development'. A positive sign was that the majority also disclosed themes 'participation and staff involvement' and 'employee health and well-being'. Furthermore, nearly one third made references to their work atmosphere or job satisfaction survey. However, disclosures lacked overall consistency and comparability with each other and especially quantitative indicators were disclosed by few.

Firms are social creations who survival is counted on the willingness of the society to support them. Vijaya Murthy and Indra Abeysekera (2008) found out how far the Indian software companies reporting CSR practices. The objective of this study to examine the CSR practices disclosed in the annual reports of the top Indian software firms and the motivations behind engaging in CSR by interviewing the top executives of these firms[8]. To accomplish the objective the frequency of disclosure of CSR was analyzed using content analysis in the top 16 software firms in India disclosed in annual reports. The managerial practices were analyzed by conducting semi structured interviews with heads of human resources (HR) of 14 of the sample firms. The external CSR practices of the software exporters were examined by analyzing the contents of the annual reports for the year 2003 – 2004. In studying the two categories of social activities- human resource category and community development category, this study found support that firms employ CSR to legitimize their activities.

### 2.1.2 Managerial Perceptions Studies

The Business Paradigm for Corporate Social Reporting in the context of Australian Seaports was analyzed by Devinder Grewal, Nicholar James Darlow (2007). Interviews were conducted with managers from 13 Australian seaports. The business paradigm embraces three primary sections. First is the philosophical drivers for CSR, which are societal demands for transparency in social responsibility.[5]The second encompasses the key management concerns and issues regarding CSR, including financial and time costs risks involved with disclosure, how to engage in CSR and questioning the value of the process. The third section comprises the key benefits expected to accrue from CSR including trust and reputation, important cost savings and the importance of CSR to sustainable success.

The views of corporate managers on the current state of and future prospects for, social reporting in Bangladesh; An engagement –based study conducted by Aatur Rahman Belal, David L. Owen (2007). The study begins to address the above gap in the literature via undertaking a series of in-depth interviews with local senior managers drawn from 23 Bangladeshi companies. The major findings are the main motivation behind current reporting practice lies in a desire on the part of corporate management to manage powerful stakeholder groups, whilst perceived pressure from external

forces, notably parent companies' instructions and demand from international buyers, is driving the process forward.

Crawford Spence (2007) conducted study on social and environmental reporting and hegemonic discourse. The study employs the discourse theory of Laclau and Mouffe to frame SER as a hegemonic practice. A series of in-depth interview were undertaken between June and September of 2004 with representatives of 25 large commercial organizations in the UK. The paper finds that both SER and corporate social responsibility are driven by numerous motivations, although these motivations essentially form part of a business case. In turn, the necessity of this business case appears to shape and constrain the ideologies that underpin and are communicated through SER[3].

In recent times, a business case has been made for CSR around the world. A number of observers have expressed concern that current CSR practice has failed to achieve the fundamental objective of transparency and accountability. Dr. Aatur Rahman Belal, Stuart Cooper (2007) aims to broaden the present CSR literature by considering attitudes towards CSR within the context of a developing country and with specific regard to the corporate reluctance to report on eco\_justice issues. The research was carried out via in depth semi structured interviews in 23 companies. The findings suggest that the main reasons for non-disclosure include lack of legal requirements, lack of knowledge/awareness, poor performance and fear of bad publicity. Given these findings the paper raises some serious concerns as to why corporations would ever be expected to voluntarily report on eco\_justice issues where performance is poor and negative publicity would be generated [1].

### 2.1.3 Stakeholder Perceptions Studies

Hein Schreuder (1981) carried out the research on Employees and the Corporate Social Report. The aim has been to probe the reactions of employees toward the Corporate Social Reports actually being published and to solicit their opinions on some controversies in the literature. From a list of corporations which were known to have published a social report five were selected.. At each company, a sample of 1587 employees was selected to receive a questionnaire. All samples were stratified. The main results of this research are twofold. First, the findings suggest that the social report has been accepted by employees as a corporate means of communication. Second, it seems rather questionable whether the employees can be considered as a homogeneous target group for social reporting purposes [6].

Darlene A. Pearson (2005) examined the use of legal policy tools to promote disclosure of non-financial information relating to the social and environmental effects of corporate operations. This research used two methods: a literature review and a key stakeholder survey questionnaire. The research involved designing a questionnaire for a survey of Canadian companies with active CSR program. The thirteen companies were chosen. The questionnaire was first completed to the extent possible from information available on the company's websites and published reports. The questionnaire were then sent to company representatives and

a telephone interview conducted to verify the accuracy of information gathered and to obtain the corporations' input for answers to the remaining questions. Legislation, however, is the guardian for basic public stakes. It is there to guarantee the public interest in accountability for environmental and social performance and in legal compliance with accepted norms [4].

Pamela Stapleton and David Wood Ward (2009) adapted Mayston's normative "information beneficiaries" framework and focuses on intermediaries who might potentially use published financial information to open a restricted form of dialogue with companies, which might benefit unsophisticated stakeholders. The paper examined the Mayston framework using interviews conducted in organizations that might act on behalf of three stakeholder groups associated with gas, and electricity suppliers in the United Kingdom, these being: consumers, employees and the environment. In total, 45 interviews were conducted following a semi\_structured format and with duration usually of between 90 minutes and two hours. The paper has explored how such an accountability process might operate using an amended framework originally provided by Mayston recognizing that communication related skills vary between and within organizations [11].

Nurlina Md Rahim (2009) carried out a study entitled 'Survey on Social Reporting Practices by Islamic Financial Institutions (IFIs) in Malaysia: Perceptions of Accountants'. This study is aimed to highlight the perception of accountants towards social reporting which include desired items to be disclosed by the Islamic Financial Institutions. A non-probability sampling was used in this study whereby this kind of sampling does not involve random sampling or does not depend upon the rational of probability theory. The sample size requested from MIA for this study was 1500 accountants. The questionnaire was distributed to 1500 registered members of MIA by two methods, i.e., normal mail and email broadcast. About 800 questionnaires were mailed by normal mail and 700 questionnaires were mailed electronically. Content analysis was undertaken to measure the quantity of social disclosures among the IFIs under study. The sample for analysis was the annual reports of selected IFIs for the year 2006 and 2007 which comprises 20 annual reports. The results of questionnaire survey on perceptions of accountants towards social reporting practices of IFIs are presented by pre-analysis testing (i.e., normality testing, validity testing, reliability testing and analysis of respondents' demographic profile) and hypotheses testing, normality has been tested statistically, by testing skewness, kurtosis, kolmogorov-smirnov statistic with a Lilliefors significance level and the Shapiro-Wilk statistic. According to the results of the perceived social items, the accountants in Malaysia have desired more social reporting. The social reporting practices in annual reports shows the level of disclosure made by IFIs is not in line with what desired by the accountants. This has result a gap in desired social reporting and social reporting practices [10].

Mahdi Salehi and Zhila Azary (2009) made an attempt to determine the actual level as well as expected level of various groups in Iran regarding different aspects of CSR. A five point scale Likert questionnaire adopted and distributed

to 600 respondents consist of External auditors, internal auditors, accountants, bankers, investors and academician. The response received from 480 respondents based on the random selection. The results of this survey show that Iranian corporate sectors had attention to CSR; however according to view point of their parties it is very far from expected level. In addition, the authors become to conclusion that if such condition carried out by Iranian corporate sectors, it will create big problem not only to stakeholders' benefits but to corporate performance also. To solving such serious problem the Iranian legislators should force corporate sectors for following more corporate responsibility at large scale [7].

### 3. Discussion and Suggestions

Several observations can be made based on the above findings on CSR in emerging economies. Most of the previous studies available from the context of emerging economies used content analysis method. These studies are descriptive. They measured the extent and volume of disclosures contained within the annual reports. However, concern has been raised in the CSR literature that exclusive focus on annual reports might not capture all social and environmental disclosures. Using the questionnaire and content analysis method future researchers might pursue the following lines of enquiry or research questions (RQ)

#### 3.1 RQ1

What is extent of corporate's disclosure of social information in annual reports? In recent years board diversity has become a critical component of corporate governance structure. The theme of board diversity fits well into the framework of stakeholder theory. The higher the proportion of non-executive directors, the higher will be the level of voluntary disclosure of corporate social reporting information. The association between the proportion of foreign nationals and disclosures in the prior literature raises the issue of causality. The higher the proportion of women directors on the board, the higher will be the level of voluntary disclosure of corporate social reporting information. The higher the proportion of foreign nationals on the board, the higher will be the level of voluntary disclosure of corporate social reporting information.

#### 3.2 RQ2

Who are the participant groups that make up a corporate entity? Pressure groups are a user group of corporate social disclosure. They do attempt to exert influence over companies' disclosure practices through direct and indirect action for or against them. Pressure groups believe that legislation or standards requiring minimum levels of disclosure by companies should be introduced. Most of the CSR research in emerging economies has focused on the managerial perspective of CSR. Very few studies have explored stakeholder perceptions of CSR.

#### 3.3 RQ3

Do the companies disclose far more positive environmental and social information than negative information? The

companies will not take penalty size into account when deciding upon the quantity their environmental and social disclosures. Recent calls for "engagement" based research require exploration of managerial motivations via in depth interviews with corporate managers. Such research is scarce from the developed economies in particular. There is scope for further contribution in this regard particularly via rigorous case studies illustrating the 'why' and 'how' of social accounting processes in organizations.

#### 3.4 RQ4

What factors explain the level of disclosure of corporate social information? Most of the previous emerging economy CSR research mainly focused on the presence of disclosures and the motivations behind it. There is little or no study which examined the reasons for absence of social disclosures. It seems necessary to explore what is being omitted in addition to the examination of what is disclosed in order to fully understand corporate motivations behind CSR

#### 3.5 RQ5

What information does management require in order to monitor and improve corporate social performance? Subject to certain exceptions, content analysis based studies reviewed in this paper provide little emphasis on the contextual issues of emerging economies. In other words, it is still not clear whether CSR agenda in emerging economies is developed as a western fashion or an agenda driven by specific concerns of emerging economies. These studies provide us with little explanation regarding motivations for CSR although some later studies have started to provide limited insights in this regard with legitimacy and political economy theory explanations being advanced. Published CSR research on mainland China, Russia and East European countries is relatively scarce and would be a valuable addition to the CSR literature. In this regard, researchers might focus on specific themes within CSR such as climate change, poverty alleviation and human rights which are more contentious issues in these countries.

### 4. Future study

In-depth study of the relationship between corporate governance and CSR through analyses of the impact of various corporate governance practices on CSR is needed. It is important to analyze this relationship in different environments, as corporate governance practices are varied among different environments. Also, comparative studies among different countries concerning the relationship between corporate governance and CSR can be conducted. Develop indicators to measure quality of social and environmental disclosure in corporate responsibility reports. Also, studies on the development of guidelines for the assurance process of corporate responsibility reports can be conducted. Within a suggested framework of determinants of CSR, it can study the impact of another variable (competitiveness) on CSR. It can be argued that companies which face a high degree of competitiveness are more sensitive to social pressure and consequently could provide more CSR.

## 5. Conclusion

In conclusion, reporting on these issues continues to evolve rapidly and organizations need to look beyond technical reporting issues in an effort to build trust among stakeholders. Organizations need to focus much more on identifying the issues stakeholders find important and report fairly on them with the use of different communication channels. Looking beyond reporting, this implies that organizations need to be a lot more honest in their communication and engagement with stakeholders. They need to engage to build trust. This can only be done if the organization is willing to be responsible by taking into account stakeholder concerns and this has implications on how the organization is run and led.

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