

Corporate Social Responsibility by the Malaysian Telecommunication Firms

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Abstract

Prior Corporate Social Responsibility (CSR) studies in Asia suggest that CSR practices in many Asia countries are lag behind the Western countries. In addition, factors such as greater social expectations on business responsibility and the development of governance systems that will influence firm's CSR practices. As noted by Gray et al. (2002) that cultural and national differences are likely the factors affect the CSR practices. The Malaysian Security Commission viewed CSR as part of the corporate governance in the essence of CSR will strengthen the framework on good governance i.e. by considering the wider interests of others stakeholders such as employees, consumer and the society at large. The purpose of this study is to examine the relationship between the level of CSR disclosure and the nature of companies' ownerships from the year 2002 until 2005. The levels of companies' ownership are divided into local, government and foreign ownerships in the three Malaysian telecommunications companies. This study adopted the same instruments used in prior CSR studies in measuring firm's CSR disclosure. The CSR disclosure level employ in this study is the proxy for firm's CSR activity. The finding from this study indicates that the CSR disclosure level is increased moderately during the period under study. On the other hand, at the disclosure level themes, it shows some variability's on the amount of CSR information's disclosed by the firm's and this could be related to the firm ownership's structure.

Introduction

Malaysia has demonstrated an increasing awareness of CSR in recent years, where more of non-governmental organizations and professional accounting bodies such as the Federation of Malaysia Consumer Association, Consumer Association of Penang and World Wide Fund for Nature (WWF) Malaysia, Business Ethics Malaysia and Association Certified Chartered Accountant (ACCA) are actively involved in promoting CSR awareness and initiatives among public companies. The Malaysian Security Commission views CSR as part of corporate governance where CSR will strengthen the framework on good corporate governance. Companies are expected to practice good governance and be accountable for the ways they conduct their businesses. This view is based on the wider interests of other stakeholders such as employees, consumers and the society at large towards companies' activities. The Malaysian government's efforts in promoting CSR practice can be observed by incorporating CSR practices within the government-linked companies' (GLC) Transformation Plan¹, the 9th Malaysia Plan, and the national budgets. In addition, the government has also incorporated CSR as an integral part in achieving Malaysia's vision 2020 and in strategic objectives of National Integrity Plan.

In the field of Accounting, CSR falls under the subject of Social Accounting. The key features of Social Accounting are the measurement and communication of information concerning the effect of business and its activity towards society and environment (Belkaoui, 2000). In essence, Social Accounting provides a framework for identifying, measuring and reporting firm's social and environmental impacts to their stakeholder. Social Reporting is one of the branches of Social Accounting as such firms will use communication mediums such as annual reports, social reports, promotional material, and web sites, to report their CSR activities. These reports are important to other users (such as employees, consumers, community, government and NGOs,) other than solely for financial analysts and fund managers.

¹ GLCs transformation manual, Paragraph 4.2 (2005)

However, the extent of CSR information appearing in the annual report is varied over time, regions (Gray, Kouhy, & Lavers, 1995b) and countries economic development status. (Belkaoui & Karpik, 1989). Hackston & Milne (1996) emphasized that business is under pressure from their stakeholders to report its social activities because these parties want to protect their long-term interests in the firms. The objectives of this paper are two-fold. Firstly, it attempts to investigate the level of CSR disclosure practices by Malaysian telecommunication firms. Secondly, it is to study whether ownership structure is related to the firm's CSR activities. This paper not only adds to the literature on CSR studies in developing economies which is still limited (Hamid, Fadzil, Ismail, & Ismail, 2007; Jamali & Mirshak, 2007), it also contributes to the study of CSR in a specific industry, as prior CSR studies mostly examined CSR by various industries (Gray, Javad, Power, & Sinclair, 2001). This study will help to detect some specific patterns of social performance that relates to the particular industry (Griffin & Mahon, 1997; Hamid, 2004). Therefore, this study will provide more precise descriptions on CSR activities that relate to this particular industry that is, the telecommunication industry.

Information, Communication and Technology (ICT) industry is the most dynamic industry in the world in that it has changed a country's economy and affected many people. For example, the introduction and growth of internet since 1994 has provided an alternative medium for the dissemination and communication of information by people around the world. And, one of the important tools in the ICT industry is the telecommunication facilities. The Malaysian telecommunications industry has undergone several rounds of consolidation over the years. From as many as eight major operators at one time, in 2004, the industry is dominated by three operators, i.e. Telekom, Maxis and DiGi. Furthermore, those operators have winning major CSR awards in Malaysia. For example, DiGi is the first company to win Prime Minister's CSR Awards and Telekom Malaysia won the ACCA Malaysia Environmental and Social Reporting Awards in 2004 and 2005. Further, this paper looks into the firms' ownership; a proxy for key stakeholders which is sparsely covered in the literature in documenting key stakeholder's expectations and influence on firms' CSR practice. Ownership structure here refers to whether the firm's is controlled by the government (known as Government Linked Companies), or by local and/or foreign shareholder's. Thus, this study will investigate three Malaysian telecommunication firms with a different controlled shareholder's i.e. Telekom Malaysia Berhad (control by Government), Maxis Communication Berhad (control by local shareholders) and Digi Communication Berhad (control by foreign shareholders).

Theoretical Development and Literature Review

There is no specific theory to explain CSR practices by companies (Choi, 1999). In many CSR studies, legitimacy theory and stakeholder theory have been applied to explain the motivation for CSR disclosure. Apart from these two main theories, agency theory was also employed in other CSR studies (Belkaoui & Karpik, 1989). Gray et al. (1995a, 2001) argue that the legitimacy and stakeholder theories are neither separate nor competing, but they are viewed as overlapping perspectives between the political economy assumptions. Belkaoui and Karpik (1989) and Trotmen and Bardley (1981) employed agency theory to explain the CSR practice by companies and posited that CSR information was voluntarily disclosed by firms as a means to reduce agency costs or future agency costs that could arise in the form of regulation (Gray et al., 2001). Legitimacy theory is based on the premise that companies will signal their legitimacy by disclosing information in the annual reports (Gray et al. 1995a). Many prior CSR studies utilized legitimacy theory, even though the results were inconsistent (Patten, 1991, 1992; Gray et al., 1995a; Guthrie and Parker, 1989, 1990).

The inconsistent results may be due to different strategies used by companies to legitimize their behaviour (Cormier & Gordon 2001; Newson & Deegan, 2002), to manage their legitimacy that is expected to vary over time (Gray, et al. 1995b) or to manage pressure on them from the society (Clarke & Sweet, 1999). As pointed by Newson and Deegan (2002) the legitimacy theory directly relies on the concept of social contract whereby it emphasises on how organizations are dependent on their environments, the expectations from the society that might be changing across time and how firms attempt to justify its existence in society by legitimising its activities (Lindblom, 1984; Guthrie & Parker, 1989, Patten, 1992). This is because organizations continually seek to ensure that they are perceived as operating within the norms of their respective societies and that their activities are perceived by societies as being 'legitimate'. Cormier and Gordon (2001) and Gray et al. (1995a) outlined the explanation given by Dowling and Pfeffer (1975) and Lindbloms' (1994) on the four broad legitimacy strategies used by the organizations when they face legitimacy threat. The first strategy is to educate the society about the organization's intention to improve its performance or change its action. The second strategy is to alter society's perception towards organization action without making any changes to that action (Cormier & Gordon, 2001).

The third strategy is to divert or manipulate the society's attention away from the issue concerned to other alternative issues. The last strategy is to change or alter society's expectations about the organization's performance. Based on the above strategies, it assumes that legitimacy theory would provide an explanation for the organization's behaviour that it argued to influence the society and stakeholders' perceptions about the companies. Therefore, CSR is considered as a reaction to factors in the environment that the company operates and pressure received from the stakeholders and society. The second theory utilised in CSR studies is stakeholder theory. Stakeholder theory is defined by Freeman (1984) as "any group or individual who can affect or is affected by the achievement of firm's objectives" (pp.49). As Deegan (2006) explains, stakeholder theory has two major branches –the ethical and managerial. The first branch (ethical) relates to accountability model. It assumes that all stakeholders have the right to be treated fairly and the manager should manage the organization, so that it could benefit all stakeholders. Deegan and Unerman (2006) further explain, it is the impact of the organisation on the life experiences of a stakeholder that determines the organisation's responsibilities to that stakeholder, rather than the extent of that stakeholder's (economic) power over the organisation.

In other words, the stakeholders have intrinsic rights (for example, to safe working conditions, fair pay, etc) and these rights should not be violated. This is extended to their rights to information about how the organisation is impacting on them (Deegan & Unerman, 2006). The managerial branch of stakeholder theory attempts to explain management's response towards demand from particular (typically powerful) stakeholders; i.e. how they should be managed if the organisation is to survive. According to Ullman (1985), a stakeholder's power to influence corporate management is viewed as a function of the stakeholder's degree of control over resources required by the organisation. Thus, firm's activities including public reporting will be directly related to the expectations of particular stakeholder groups; or as explained by Gray et al. (1996), information is a major element that can be employed by the organisation to manage (or manipulate) the stakeholder in order to gain their support and approval, or to distract their opposition and disapproval. The idea of CSR started in the twentieth century (Guthrie & Parker, 1989; Gray, 2000). One of the early works in CSR literature was by Bowen (1953) who discussed on the doctrine or principles of CSR (Carrol, 1999), which include among others, the CSR definition. Bowen's idea on CSR definition and principles was later expanded by Heald (1957 and 1970) and Ells (1956).

The period of 1970s can be considered a remarkable period for the development of CSR (Mathews 1997, Gray 2000). In 1972 to 1973, the US National Association of Accountant (NAA) had established a committee on Accounting for Corporate Social Performance. In 1974, this group issued the first report relating to major area in social disclosure under four general headings, namely community involvement, human resource, physical resources and environment contribution and product and service contribution (Keller, 1974). Belkaoui (1984) cited a study conducted by Ernst and Ernst (1978) from 1971 to 1978, to evaluate the nature of social responsibility disclosure in the annual report of Fortune 500 industries, 50 life insurance companies and 50 commercial banks. The objective of the study was to list the possible dimensions of CSR disclosure. The results of the study testified that there were seven dimensions of corporate social responsibility disclosure. They are environment, energy, fair business practice, human resource, community involvement, products and other social responsibility disclosures. Later studies on CSR utilized Ernst and Ernst's social dimensions to investigate the extent of social disclosure by business corporations (Belkaoui & Karpik, 1989; Clark and Sweet, 1999; Gray et al. 1995a, 1995b, 2001; Hackston & Milne, 1996; Williams & Pei, 1999).

However, Belkaoui (1984) urged researcheres not to limit the list of social factors as suggested by Ernst and Ernst. Davis and Blomstrom (1975) proposed a more detailed list of social responsibility disclosure that includes ecology and environmental quality, consumerism, community needs, governmental relations, business giving, minorities and disadvantage person, labour relations, stockholder relations and economic activities (Belkaoui, 1984). Belkaoui also reviewed the list proposed by Research and Policy Committee of the Committee for Economic Development in 1971. The ten main ideas proposed by the committee were economic growth and efficiency, education, employment and training, civil right and equal opportunity, urban renewal and development, pollution abatement, conservation and recreation, culture and the arts, medical care and government. Besides that, the United Nation Economic and Social Council in 1977 also proposed standard reporting items for social disclosure. The social disclosure items can be categorized into five, i.e. human resource, production, investment programme, organization structure and environmental measures (Park & Adnan, 1994). Many studies on CSR found human resource as the most reported theme by US, UK and Australian companies (see for example, Guthrie & Parker, 1990; Hackston & Milne, 1996; William & Pei, 1999; Tsang, 1998; Nafez & Kamal, 2000; Gray et al., 2001). As discussed above, earlier studies on CSR were confined to defining the themes or dimensions relating to CSR.

These dimensions were later extended in empirical research relating to quantity and perceptions on CSR disclosure, characteristics of disclosure companies and reporting medium (Carrol, 1999; Gray et al., 2001; Mathews, 1997; Zeghal & Ahmed, 1990). One of the earliest published studies in Malaysia was by Teoh and Thong (1985). They conducted a questionnaire survey to elicit the degree of awareness of Chief Executive Officers of selected 100 Malaysian companies in CSR disclosure process and also analyzed the 1980 annual reports of the related companies. The findings showed that the CEOs in Malaysia were more concerned with human resource and product or service contribution. Another study was conducted by Kin (1990) using annual reports of 100 Malaysian public listed companies. The study revealed that only 66 percent of the companies in the sample made social disclosure. For the social disclosure themes, 64 companies disclosed information on product/ service improvement/ contribution, 31 companies disclosed information on human resource, 22 companies disclosed community involvement and only one company disclosed information on environment. Eight years later (in 1998), the Malaysian Institute of Certified Public Accountant (formerly known as MACPA) conducted a study on CSR by Malaysian public listed companies. The result indicated firstly, the level of disclosure was relatively low and secondly, it showed that human resource disclosure attained the highest rank followed by community involvement, environmental protection and product/service improvement and contribution.

Other descriptive studies were undertaken by Foo and Tan (1988), Andrew, Gul, Guthrie and Teoh (1989), Shirenjit and Zuaini (1998), Che Zuraina, Kasumalinda and Rapih (2002), Hanim and Mustafa (2001) and Hamid (2004). Foo and Tan's (1988) study was on 299 Malaysian and Singapore companies listed on the Singapore stock exchange where 62% of them were incorporated in Malaysia while the rest (38%) were Singapore incorporated companies. The study revealed that only 62 % of the sample made CSR disclosure where Singapore companies made more CSR disclosure than their Malaysian counterparts. Firm size and industry classification were found to influence the level of CSR disclosure. The most disclosed CSR item was human resource, followed by product, community involvement, environment, energy and others. Later, Andrew et al. (1989) examined 119 listed companies in Malaysia and Singapore that engaged in manufacturing and commercial industries. The result from the study supported an earlier study by Foo and Tan (1988) that size and industry variables were found to influence the level of CSR disclosure. On the CSR theme, human resource was again found to be disclosed by most companies. However, the study did not investigate the differences in CSR disclosure between those two countries.

Research Methodology

In this study, we examine the level of CSR disclosure of Malaysian Telecommunications Companies' annual reports for the years 2002 to 2005. This study was conducted as a preliminary study and data collected from 2002 onwards because one of the companies selected was listed in that year. Data was collected up to year 2005 when the consolidation of the telecommunications industry in Malaysia ended and the first CSR award by the government started. The chosen firms are the three largest in the telecommunication industry in the country. Annual reports have been chosen as the reporting medium because they can be seen as a channel for communication of messages and were prepared on a regular basis. It has been recognized in prior research that information published in the annual reports possess higher credibility (Belkaoui & Karpik, 1989; Tilt, 1994; Gray et al., 1995a, 1995b, 2002; Unerman, 2000) and provide an explanation on management's attitude in a particular period (Neimark, 1992). Nevertheless, other media such as interim reports, and advertisement by product labelling were also being employed in other CSR studies (Tilt, 1994).

Content Analysis

Content analysis has been widely employed in prior studies to measure the quantity of CSR (see for example, Guthrie & Parker, 1989; Gray et al. 1995a, 1995b, 2001; Hackston & Milne, 1996; Newson & Deegan, 2002; William & Pei, 1999). Various authors (Krippendorff, 1980; Weber, 1988; Neuendorf, 2002) have proposed formal definitions for content analysis. Krippendorff (1980) defines content analysis as a research technique for making a valid inference from the data according to their content. Weber (1988) defines content analysis as a method of codifying text (or content) of a piece of writing into various group (or categories) depending on selection criteria. Krippendorff (1980) and Neuendorf (2002) also proposed essential processes as guidance in any content analysis study. There are three essential processes for content analysis embodied in this CSR study. The first process is deciding what type of document to analyze. This research used the annual report as a document to analyse CSR due to reasons discussed above. The second process in content analysis is to determine the measurement for CSR theme. A review from prior literatures indicated that there are three different methods of measurement namely words, (Deegan & Gardon, 1996; Zeghal & Ahmed, 1990), sentences (Hackston & Milne, 1996; Milne & Adler, 1998; Tsang, 1998) and pages (Gray et al. 1995a, 1995b, 2001; Hackston & Milne, 1996; Newson & Deegan, 2002, Patten, 1991).

However, the appropriate unit analysis used in CSR studies was widely debated in the literature (Gray et al, 1995b; Tilt, 1994). For example, measurement using number of words is questionable as individual words do not convey any meaning without the sentence to provide the context (Milne & Adler; 1999; Tilt, 1994). Ingram and Frazier (1980) and Unerman (2000) argued that the sentence measurement may be done with less issue of judgment compared with word measurement; whilst proportions of pages have been criticized because there is an element of subjectivity due to difference in font size, margin and graphics, and the difference between one annual report to another (Hackston & Milne, 1996; Ng, 1985; Tilt, 1994). Most of the prior studies measured CSR by using pages as a measurement for quantity of CSR (for example Gray et al. 1995a, 1995b, 2001; Hackston & Milne, 1996; Newson & Deegan 2002; Patten, 1991). This study also used 'page' as a measurement for CSR disclosure to enable us to make a comparison with other studies (see example Hackston & Milne (1996), Gray et al. (2002), and Newson & Deegan's (2002). Additionally, a page measurement technique provides a similar result to measurement of individual sentences (Hackston & Milne, 1996; Newson & Deegan's (2002). Page measurement also captured non-narrative CSR disclosure (for example, graphs and photographs) that is potentially powerful and a highly effective method for communications (Beattie & Jones, 2001). The third and final process in content analysis is to develop a checklist instrument. This process involves the selection of categories or dimensions in disclosure theme.

In this study, the checklist instrument categorized CSR into environment and energy, human resource, product or services and community. The definitions applied in the checklist (Appendix 1) were derived from extensive review of prior literature, based on an earlier work conducted by Ernst and Ernst (1978). It also covered the major themes as discussed in the literature review section matched with potential disclosure of firms, as evident from prior research in Malaysia. The inter-coder reliability is the main concern in conducting CSR study using content analysis (Guthrie & Parker, 1989; Hackston & Milne, 1996; and Tilt, 1994). To maximize inter-coder reliability, some precautionary measures suggested by Hackston and Milne (1996) and Tilt, (1994) were adopted to ensure reliability. First, both authors cum coders discussed existing literature relating to CSR with the aim to enhance understanding. Secondly, both coders reviewed a small sample of annual reports independently and proceeded with the coding process using a checklist instrument. The coded data were then compared and if discrepancies exist, the annual report was reanalyzed and any differences must be resolved. Accordingly, both authors analysed the remaining annual reports. Recent work by Gray et al. (2001) discussed the important distinction between voluntary and mandatory CSR disclosure to avoid inconsistent or contradictory results. In Malaysia, there is no statutory requirement for public listed companies to disclose information relating to their CSR activity.

Results and Discussion

The descriptive statistics for the CSR disclosure scores made by the companies from the year 2002 till 2005 is shown in Table I. It is evident from the table that most of the CSR disclosure items is related to community development, where on average, it has received the highest overall disclosure score (mean 9.31 pages). This could be linked to the status of Malaysia as a developing country and the firms may be seen as being responsible to carry out certain activities that the government should undertake. Based on the results, it can be assumed that as the communication providers, they are not only good in providing the services to the customers but they also care and play an active role to contribute back the benefit to the community (Tilt, 1994). This also implies that the firms understood the society's demands and needs, which can be related to the notions of license-to-operate within the society. In order to maintain their business legitimacy, the firms have to show their commitment to society and the CSR activities have to conform to society's needs and demands. Jamali and Mishak (2007) also opined that for the firms operating in developing countries, their CSR activity is more towards the society. To concur with this notion, in 2007 one of the telecommunication firms received the CSR Prime Minister Award for their community engagement.

Table I: Descriptive Statistics (pages) of Overall CSR Disclosure

<i>Type of Disclosure</i>	<i>Mean</i>	<i>SD</i>	<i>Min.</i>	<i>Max.</i>	<i>Skewness</i>
Community	9.31	6.30	0.25	21.00	0.21
Human Resource	2.85	3.98	0.00	11.00	1.09
Environment	0.58	1.37	0.00	4.00	2.16
Total	12.75	0.88	0.00	0.25	-0.17

This finding on disclosure theme contradicts with previous disclosure studies in multiple industries. Prior studies found that employee or human resource theme was the one mostly disclosed.

As noted earlier, a study on specific industry will allow us to detect specific patterns that can relate to that industry (Griffin & Mahon, 1997; Hamid, 2004). Another assumption on the result is the extension of CSR concept on corporate citizenship. Corporate citizenship posits that a firm will engage in various community programs and Smith (2003) has labelled these acts as a “new corporate philanthropy”. Smith’s (2003) notion was supported by Sasse and Trahan (2007), when they argued that the concept of corporate citizenship is an implicit concept to corporate philanthropic and concluded that if the firms assume CSR as a philanthropic activity, they will focus more on a specific stakeholder i.e. the community and they will limit their CSR activities to other stakeholders. Godfrey and Hatch (2007) caution that firms’ reputation will be damaged if the stakeholders viewed the philanthropic activity as an insincere behavior (for further reading from Knight & Greenberg, 2002 on the Nike case study). Some examples of CSR activities undertaken and disclosed by the firms that relate to the community in their annual reports are listed below;

DiGi understands and appreciates that what we are today is largely the result of our past. This is the basis of our Corporate Social Responsibility programme, DiGi’s Amazing Malaysians, which was launched in early 2005. DiGi’s Amazing Malaysians recognises individuals who are engaged in practices which impact or contribute to natural, cultural, art, built or social heritage, and supports them in programmes which foster interest in youth and children in each particular aspect of heritage. (Digi.Com Bhd, Annual Rreport, 2005)

Maxis continues to believe that its Corporate Social Responsibility (CSR) programme contributes to societal development as advances in technology can bring direct benefits to communities. Our focus continues to remain on youth, education and technology. Since its inception in 2002, our primary CSR initiative, Maxis Bridging Communities (MBC), continues to forge ahead connecting rural communities and helping bridge the digital divide in Malaysia. We spent more than RM9 million for our MBCactivities in 2005. (Maxis Communications Bhd, Annual Report, 2005)

(Maxis Communications Bhd, Annual Report, 2005)

TM Group, a noted major corporate in Malaysia, has always been at the forefront among organisations in Malaysia in the practice of good social responsibility through its various Corporate Social Responsibility (CSR) activities and projects. The Group believes that a fundamental tenet of good corporate governance and responsibility lies in the fact that organizations should have in place a firm commitment towards CSR activities. With this overarching principle, the Group’s overall practice of CSR takes on a three pronged approach, i.e. support of education, sports development and community and nation building activities. (Telekom Malaysia Bhd., Annual Report, 2005)

(Telekom Malaysia Bhd., Annual Report, 2005)

The next most disclosed item was employee related disclosure which mostly located in the chairman statement in the annual report. The location of the theme in the annual reports is similar to a prior study by Janggu, Joseph, & Madi, (2007) where the Chairman made their appreciations for the employees’ contributions towards the organization’s success and development. Finally, the least disclosed item is environment. This may be due to the wrong perception that service industry has little impact on the environment (Clark & Sweet, 1999; Hamid, 2004). On another note, all CSR disclosed items made by the firms are dominated by reporting of positive or good news (see for example, Harte & Owen, 1991) and, there is an absence of bad reporting. From this, it can be summarized that the firms are trying to legitimize their behavior in disclosing CSR information in their annual reports and therefore, they are no more than a public relation exercise which portrays a positive image of the firms (Cormier & Gordon, 2001; Deegan & Gordon, 1996; Newson & Deegan, 2002). Figure I shows the overall trend on CSR disclosure made by all firms in the four years.

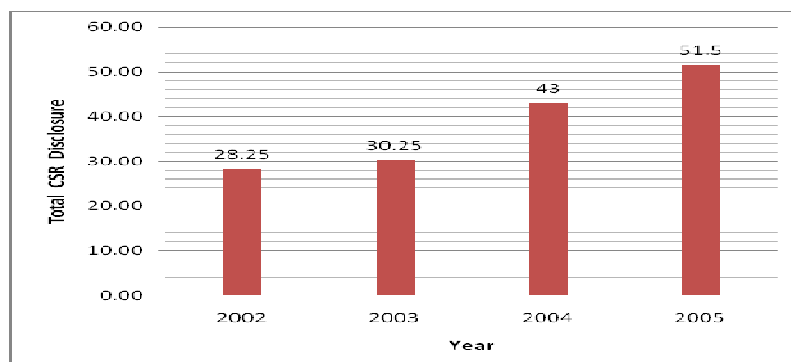


Figure I: Bar Chart on the Frequency of CSR Disclosure from 2002 to 2005

The chart shows an increasing trend in the level of CSR disclosure in which the percentage increase is more than 50%; a finding that is similar to prior longitudinal studies by Hamid et al., (2007) and Janggu et al., (2007) for Malaysian firms. This shows a positive commitment by these firms towards CSR initiatives. This could be attributed to the initiatives taken by the government and private sector to promulgate the importance of CSR for Malaysian companies. For example, starting from 2002 the Association of Chartered Certified Accountants (ACCA) introduced the Malaysia Environmental and Social Reporting Awards (MESRA) for Malaysian companies. There were only 11 entries received in 2002, but this figure has increased significantly to 61 in 2006. Further, two of the sample companies in this study participated in the 2006 awards under the social reporting category. Another reason could be the introduction of the Malaysian Code on Corporate Governance that is effective on 30th June 2001. The Malaysian Security Commission viewed CSR as part of corporate governance where CSR will strengthen the framework on good governance and CSR concepts consider the wider interests of other stakeholders such as employee, consumer and the society at large (Securities Commission, 2007).

Table II: Trend of CSR Disclosure for year 2002-2005

Firms/CSR themes	CSR Disclosure (number of pages)			
	2002	2003	2004	2005
Telekom Malaysia				
Community	10	11	13	13
Human Resource	6	8	7	11
Environment	4	0	3	0
	20	19	23	24
Maxis Communication				
Community	0.25	1	2.5	6.0
Human Resource	0	0	0.5	0.5
Environment	0	0	0.0	0.0
	0.25	1.0	3.0	6.5
Digi Communication				
Community	8	9	17	21
Human Resource	0	1.25	0	0
Environment	0	0	0	0
	8	10.25	17	21
Total CSR Disclosure	28.25	30.25	43	51.5

The second objective of this study is to relate CSR disclosure level with the ownership structure of the firms. Table II shows details of CSR disclosure made by each firm during the years from 2002 – 2005. There is some variability in the level of disclosure of various CSR themes that can be related to ownership structure. Furthermore, based on the individual theme disclosed by the firms, most of the CSR activities are not related to their core business. The majority of these CSR activities (proxies by their disclosure) by the firms are related to community, whether in financial or non-financial activities such as sponsorship, donations of equipment, and sponsoring government specific project. The basic premise that we want to stress is that CSR activities must be aligned with the core business because CSR is not just a philanthropic activity; a good CSR initiative will give a positive impact to the company's performance and the sustainability of the business (Rowe & Schlacter, 1978).

Table II also shows that the GLC (Telekom Malaysia) place priority on the disclosure of community and human resource or employee as compared to the local (Maxis) and foreign (Digi) shareholding firms, that are more active only in community activities. The GLC was not only concerned about the community whom they serve but the firm also reflected that the employees were the most valuable asset to them. We reckon that the manager sees this as the need to balance their CSR activities that are specific to employees (internal CSR), community (philanthropic CSR) and government (political CSR). The Internal-CSR here refers to the firm's core business functions that have a direct impact to the things around them (employee, product and environment). The political or agency CSR here refers to the attention given by the government or controlled shareholders through one of its vehicle (in this case GLCs), toward the social needs of stakeholder that are defined by them (Julohin, 2004; Lewis & Unerman, 1999). As such, the manager has to deal with different stakeholders who have different needs and demands. Failing to do this, the principal will end the agency contract. Such was the case of UDA Holdings Bhd (one of GLCs listed companies) whose primary objective was to promote planned urban development and elevate Bumiputeras' participations in urban areas. The firm was delisted in 2007 by the government because it failed to satisfy its stakeholders' (the government and community) needs.

Below is an excerpt from the announcement made by KLSE (the stock exchange) to all the shareholders;

“Over the years, the Board has worked to balance its duty to maximise value to its shareholders, while ensuring that UDA's corporate social responsibility, in the context of Bumiputera agenda, which stems from its origins as the Urban Development Authority, has been properly served. At this time, the Board has proposed this exercise as it feels that UDA's corporate social responsibility going forward will be best served as a privately held entity.

(KLSE announcement Reference No MM-060901-61504)

The stakeholder theory posits to be an underpinning theory for CSR, for the reason that the theory is concerned with the groups that are affected in achieving firm's objective. Thus, the firm can benefit financially from attending the demands from their stakeholders (Freeman, 1984). Hence, CSR reporting can be seen as a tool to strengthen stakeholder relationships and promote corporate transparency, reputation and confidence amongst stakeholders. By that reason, CSR will improve stakeholder relationship and the survival of the firm (internal –CSR) and manager, as well as the government (political- CSR). The change in business ownership does influence the CSR practice of the firm, especially when the local firm sold their controlling shareholdings to foreign shareholders. In September 2002, DiGi became the first major foreign-owned service provider in Malaysia with Telenor (Telenor is a Norway based multinational communications firm that increased its shareholdings to 61%, excerpt from Digi Annual Report, 2003). Table II shows that there is a significant increase in CSR disclosure by Digi from 8 pages in 2002 to 21 pages in 2005. The CSR community activity undertaken by the firm is on art and heritage. This is justified based on the firm's prime CSR philosophy on community (see <http://www.telenor.com/cr/?icid=main-navigation>).

When compared to Telekom Malaysia, Digi shows a contradicting result with prior studies that found CSR report for foreign firms was more extensive as compared to local firms (Jamali & Mirshak, 2007). However, the argument is only valid for the local non-GLCs (Janggu *et al.*, 2007). Similarly in this study, as shown in Table II, Maxis disclosures were very minimal except for the disclosure on community activities towards the later year of 2005. The result for non-GLCs was supported by the Bursa Malaysia chairman's statement that the local firms' understanding about CSR still low as compared to foreign firms (Star, 2008).

Conclusion

Prior CSR studies in Asia suggested the CSR practices in many Asian countries were lagging behind the Western countries. This is because factors like greater social expectations on business responsibility and the development of governance systems have influenced the CSR practices. As noted by Gray *et al.*, (2002) cultural and national differences are the factors that shape the CSR practices. This study hopes to make two main contributions in CSR literature. Firstly, unlike earlier research, this study investigates the CSR practice in a highly regulated industry. Secondly, it attempts to find the differences in CSR disclosure among the firms with different ownership structure. The result of this study indicates that there is an increasing trend of CSR disclosure among the three telecommunication firms over the years. However, greater emphasis was given by the firms on community involvement. This reflects that the CSR activity by them is more towards the community as compared to other stakeholders.

Following the corporate philanthropy postulated, the highest disclosure being made by the firm on community issues was mainly to influence the public's perceptions on the firm's social performance. This study shows that stakeholder theory can be used to explain the patterns in CSR disclosure by the firms. The result suggests that controlling shareholders is the prime mover for firm's CSR activities. Like most research, this study has its own limitations. This study refers to only published annual reports for data requirement. Other sources of information such as websites and separate social reports could be used to supplement the available data. The study employs stakeholder theory in predicting the relationship between CSR themes with firm's ownership structure and further research can be conducted to investigate other factors such as the boards' influence in determining firm's CSR activity and disclosure.

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APPENDIX 1

CORPORATE SOCIAL RESPONSIBILITY THEME

A. COMMUNITY DEVELOPMENT

1. Donations to community groups and charitable bodies
2. Sponsoring public health, sporting and recreational projects
3. Funding scholarship programs or activities
4. Sponsoring national pride government sponsored project campaigns
5. Sponsoring communities programs and activities

B. HUMAN RESOURCE

1. Health and safety
2. Industrial relation
3. Employee training and conditions
4. Employee assistance, remuneration and benefits.

D. PHYSICAL RESOURCES and ENVIRONMENTAL CONTRIBUTION

1. General environmental considerations and statements
2. Environmental policy statement
3. Environmental education programs, awards and studies

Sources: (Belkaoui and Karpik, 1989; Guthrie and Parker, 1989; Gray et al., 1995a, 1995b, 2001; Hackston and Milne, 1996; Imam, 2000; Newson and Deegan, 2002; Hamid, 2004)