Communicating with stakeholders through Corporate Social Responsibility Reporting : A thematic analysis of Multinationals operating in Malaysia

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I declare that this submission is my own work and that, to the best of my knowledge, it contains no material previously published or written by another person (except where explicitly defined in the acknowledgements), nor material which to a substantial extent has been submitted for the award of any other degree or diploma of a university or other institution of higher learning.

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Abstract

Corporate social responsibility (CSR) is an ever-growing concept in communication which provides an avenue for engagement between organisations and stakeholders. Malaysia, a developing country with a strong multinational presence, has started to embrace CSR in its business practices. In 2016, the local government mandated CSR disclosure for all public listed companies. This move has put forth the potential of CSR reporting as a vital tool in stakeholder communication, especially for multinational corporations (MNCs) that have the additional hurdle of navigating local and international stakeholders. Despite growing interest in this field, there seems to be limited empirical research outside of Europe and the US that studies the link between CSR reporting and stakeholders.

The aim of this research was to gain a country-specific insight into the purpose of CSR reporting in stakeholder communication by examining the content of mandatory reporting. CSR reports of the year 2019 from three European multinationals operating in Malaysia were chosen as samples for this study. Data collection in this study involved the use of thematic analysis to analyse the contents of the selected CSR reports. The themes generated aimed to address how MNCs operating in Malaysia utilised CSR reports to communicate with their respective stakeholders. Thematic analysis highlighted the government, parent companies, and investors as key stakeholders in CSR reporting. The reports can be seen as attempts to engage with these high-powered stakeholders by legitimising aspects perceived by the MNCs to be important to the stakeholders.

This research found that MNCs attempt to achieve legitimacy through the themes of philanthropy, youth, future development, corporate identity, and culture. Lastly, the research found that while CSR reports appeared to address a diverse range of stakeholders ranging from the government, suppliers, and consumers, their underlying goal was to appease the aforementioned key stakeholders. This study is a response to call for more research in the field of CSR reporting and communication, specifically in Malaysia.

Chapter 1 Introduction

This thesis has explored CSR reporting in the Malaysian context by closely dissecting and interpreting CSR reports of three MNCs operating in Malaysia and how the reports were used as a tool in communicating with stakeholders by using thematic content analysis. In this chapter, the overview of this research is presented. This is then followed by the research background and the motivation for the study and the research questions.

Malaysia is a country blessed with resources, a talented, diverse workforce, and a pristine environment. It has capitalised on this advantage over the past 50 years since independence and has managed to convert itself from an economy largely surrounding agriculture into an industrial and service-based economy. Many large MNCs managed to capitalise on this paradigm shift, firmly rooting themselves in instrumental positions of the nation's economic growth. However, this sudden boom exposed a myriad of issues such as growing inequality and inequity in which certain sections of the population are either left out or unable to catch up. Environmental exploitation was another risk of rapid economic growth.

Previous studies showed that when CSR is practiced, it offers benefits to countries across the globe and has aided in uplifting host communities, protecting the environment as well as reducing carbon footprint, which will be discussed later. The responsibility, impact, and justification of the actions of these companies to the host communities was an interesting subject to delve into. As a Malaysian myself, a deep dive into the practices, reasoning, and benefits of MNCs practicing CSR in Malaysia could offer more insights and lessons that reflected how these companies carried out their responsibilities to the nation. One aspect which interested me is how MNCs used CSR reports to communicate with their various stakeholders. By dissecting its content, readability, target audience, and programmes, this research was able to infer common themes that shed light on the purposes, benefits, and drawbacks in order to gain lessons into improving CSR reporting practices in Malaysia, where it is still in its infancy.

In this introductory chapter, the overview of this study is presented. This study started with the research background, followed by the motivation of this study and the research questions. An outline of the research methodology follows, with an overview of the thesis.

1.1 Research background

This thesis aimed to focus on the importance of CSR and CSR reporting, specifically CSR reports that are instrumental within CSR communication.

Globalisation has caused numerous MNCs to arise in developing countries. MNCs are warmly welcomed by most developing countries as these companies provide substantial job opportunities for their citizens. Furthermore, tax paid from MNCs provide governments with much-needed revenue for infrastructure development. However, these opportunities are not without associated costs. A series of events ranging from environmental issues to competition for scarce resources with MNCs has caused local communities in some developing countries to question the legitimacy of MNCs to run businesses in their country.

One example is the case of Coca-Cola in India. Hall and Lobina (2012) show that Coca-Cola's yearly extraction of 200-400 million litres of fresh underground water in regions that experienced yearly severe drought, for the production of its soft drink, has caused severe hardships to local farmers in India. The deep aquifers which the Indian farmers require for farming are instead turned into chemically infused, nutrition less sugar water to cater to India's growing urban middle class. After years of protest against the Coca-Cola bottling plant by local campaigners and villagers, the conglomerate was eventually ordered to shut down (Burnett & Welford, 2007). Corporate negligence and misconduct leave a tangible impact on the communities of its host nations. One such example is the infamous chemical factory Union Carbide India Limited blast in Bhopal, India, and the more recent case of the Rana Plaza collapse in which the collapse of the eight-story building led to the loss of 1000 lives of employees. The Rana Plaza case highlights the unsafe and often harsh working environments that exist within the Bangladeshi garment industry, an industry that remains one of Bangladesh's most important and lucrative industries. Reports reveal how employees were subjected to prolonged exposure to conditions unhealthy for both mental and physical wellbeing and how the tragedy could have easily been prevented (Prentice & De Neve, 2017). Not only were there failings in preventing the disaster, a 2018 report by Prentice also revealed the lacklustre response and compensation of the victims involved. While some companies which benefit from the country's cheap labour force were quick to react by channelling donations and contributions, many delayed their response, shrugged off responsibility, or donated minimally. The fund target was met only one year later after international outcry especially by the media and Organisation of Economic Development center (OECD) closer to home companies such as Megan Media Holdings Berhad and Transmile Group Berhad have been implicated in issues of corruption.

The next two examples are related to environmental pollution. Xu, Dietzenbacher, and Los (2020) highlight the United States'(US) strategy on decreasing pollution by denying the establishment of polluting industries in the US. Their study compares US emissions generated for US exports with those avoided by importing. They found that by importing rather than producing the imported products in the US itself, has helped the US avoid local pollution-

related damage. Whilst, Li and Zhou (2017), in their study examined data of confidential trade, pollution, and production from over 18,000 plants and 8,000 firms between the years 1992 to 2009. Li and Zhou (2017) found that toxic emissions produced from manufacturing companies in the US dropped significantly by almost 50%, when the US redesigned their production network by off-shoring production of the polluting segment in their production to developing countries, and then importing these unfinished products. Redesigning their manufacturing production chain helps the US achieve cleaner air but at the expense of the environment of the developing country. Importantly, Li and Zhou (2017) found that companies which invested in research and development plus brand equity offshore generally emitted less pollution.

Another example is how MNCs avoid transaction costs and reaped more significant benefits by utilising certain tax avoidance strategies. Corporate measures taken by MNCs have a more profound effect on citizens in developing countries. Famous MNCs such as Apple, Amazon, Microsoft, and Google have failed to pay their fair share of taxes by employing tax aggressiveness (Col & Patel, 2019). According to OECD (2019), tax aggressiveness will only affect citizens of developing countries as these countries are more reliant on corporate taxes as a major source of funding. Yet, corporations who claim to be socially responsible such as KPMG and Wal-Mart were involved in tax avoidance activities (Sikka, 2010). Aggressive tax, also known as tax avoidance, is still within the law of tax planning, however, it is not within the intention of the legislators (Lenz, 2020). When aggressive tax planning is applied, the line between tax avoidance and tax evasion may become blurred.

Laguir et al. (2015) conducted an empirical study using a sample of French public listed companies to see if tax aggressiveness impacted different CSR activities. The result of the study confirms a connection between CSR activities and the level of tax aggressiveness utilised by the firms. There is an indication that with a higher social dimension to a company's CSR activities, the lower the tax aggressiveness of these companies. Conversely, a higher economic dimension to the CSR activities would trigger higher tax aggressiveness. As such, companies are more likely to be less aggressive when engaging in CSR activities such as those relating to worker's human rights in the workplace, human resource, and community activities (Laguir et al., 2015). Nevertheless, more studies discussing the individual dimensions of CSR are much needed.

Adams and Harte (1998) argue that the study of CSR reports is worthwhile as it provides clarity on corporate attitudes and CSR methods. Given the potential influence of the companies in moulding what society considers to be important, what corporations report and exclude should be examined. During the CSR reporting process, managers can "cherry pick" what they want to report on and the amount of information to convey to their stakeholders (Milne & Gray, 2013), causing CSR report to be seen by some as self-laudatory public relations reports instead (Seele & Gatti, 2015). Hence, the present study of CSR report is relevant as the content from a

company's CSR report may provide an indication if a company practices ethics and is socially responsible. CSR actions and reports are linked despite having major contrast (Jackson & Apostolakou, 2010).

These cases highlight the impact when ethical practices of social responsibility are not being followed. Global companies and their ethical conduct have been questioned in multiple countries. Malaysia is not an exception to this. As stated by Brennan and Solomon (2018), situations such as these highlight the importance of holding companies accountable in maintaining socially responsible manners throughout business areas. Currently, the relationship between society and businesses is determined by directing the public's expectations on corporations to address social issues and concerns. To demonstrate MNC's commitment towards these responsibilities, there is a need for these companies to produce social and environmental reports. Looking at the consequences derived by the MNCs, CSR reporting provisions have been framed in different countries. A key element of CSR is to communicate CSR to stakeholders. This has evolved into a specific practice known as CSR reporting. For this reason, companies were requested to improve transparency in reporting on CSR engagement and issues (Maignan, Ferrell, & Hult, 1999).

There are various purposes of the CSR reports received by stakeholders from companies. Firstly, companies do this to showcase their responsibility towards numerous stakeholders (Deegan & Rankin, 2006). CSR reporting allows them to communicate with stakeholders and gauge their expectations, which helps them play a part in societal wellbeing (Morsing & Schultz, 2006). Similarly, Castello and Lozano (2009) state that CSR reporting provides a space for companies to address stakeholders' expectations, subsequently managing their own legitimacy. In tandem with this, researchers describe the existence of CSR reporting as a form of moral discourse (Reynolds & Yuthas, 2008). These disclosures between stakeholders and companies are mainly utilised to protect their reputations and identities (Balmer & Greyser, 2007).

Due to this, more and more MNCs are adopting CSR reporting practices (Conley & Williams, 2005; Cooper & Owen, 2007). In 2011 alone, of all the 250 large global companies, 95% of them are now reporting their CSR activities. According to a recent KMPG survey, this is an increase of 14% since the 2008 survey. This is clear evidence why CSR reporting will thrive in the field of research (Adams & Harte, 1998). In contrast to Asia, CSR awareness remains abysmal on both state levels and corporate despite the global shift towards more holistic CSR reports (Ip, 2008).

There are three main theories that are commonly used in CSR research, namely legitimacy theory, stakeholder theory, and institutional theory (Fernando & Lawrence, 2014). According to

Fernando and Lawrence (2014), utilising more than one theory instead of a single theory allows deeper insight into organisational CSR behaviour, especially when linked to CSR practices. Therefore, this research incorporates organisational legitimacy theory as proposed by Suchman (1995) and stakeholder mapping theory which employs the Mendelow's stakeholder matrix (1991).

1.2 Aim of study

The purpose of this research is to recognise the importance of CSR reporting to the stakeholders as well as to explore how legitimacy is gained through the same CSR reports in the context of Malaysian MNC communication. The study used qualitative methods that provided an in-depth insight and better understanding of these practices, i.e., how MNCs use their CSR reports to liaise with their stakeholders.

1.3 Rationale for the research

The motive for this study arose after a literature review on CSR reporting in Malaysia. Current empirical studies on CSR reporting are limited and theoretical studies on CSR reporting practices in the Malaysian context have not been explored. Looking from the angle of theoretical and empirical research, the researcher aimed to fill important gaps in the CSR reporting research.

Research on CSR in Malaysia is mostly based on the relationship between CSR and corporate governance (Buniamin et al., 2008; Haniffa & Cooke, 2005; Haslinda et al., 2015). Buniamin et al. (2008) examines the association between corporate governance and environmental reporting; Haniffa and Cooke (2005) look at the impact of culture and governance on CSR reporting whereas Haslinda et al. (2015) studied whether the mechanism of corporate governance influences environmental reporting practices. Janggu et al. (2014) examine whether good corporate governance leads to better sustainability reporting while Said et al. (2009)'s study was on the relationship between CSR disclosures and corporate governance characteristics. As far as this researcher knows, there is limited study on how MNCs in Malaysia used the CSR report as a tool for stakeholders' communication.

This study focuses on European multinationals operating in Malaysia, as Campbell (2007) argues that companies are more likely to behave in socially responsible ways when they belong to institutional trade or employee associations. Companies with headquarters in Europe are bound by European Union code of practices for business conducts as well as local Malaysia code of practice, which will be discussed further in the literature review. Taking into consideration that CSR acts largely as a mirror of institutional regulations, it can be assumed that these companies would have comprehensive CSR reporting suitable for research purposes.

Therefore, this study, through a comprehensive analysis of CSR reports of the three chosen MNCs, hoped to fill the crucial gaps in Malaysia's existing literature. This study wanted to deepen understanding of the importance of CSR reports as a communication tool with stakeholders and to determine key target stakeholders of CSR reporting. Hopefully, this would encourage more companies to provide a more comprehensive CSR report.

1.4   Research design

This study adopted a qualitative method as qualitative study provides a more in-depth description and understanding of human experience. According to Merriam (2009), qualitative research provides the opportunity for researchers to understand how people interpret their experiences, construct their world, and the meaning they attribute to their actions.

This research was conducted by carrying out document analysis of the CSR reports of three MNCs operating in Malaysia. Empirical studies such as Deegan and Rankin (1997) and Milne and Chan (1998) suggest that stakeholders generally view CSR reports disclosure as important or useful. Moreover, a positive relationship has been found between a company's CSR disclosure and its corporate reputation (Hasseldine, et al., 2005). This study adopted thematic analysis as the qualitative analytic method as described by Braun and Clarke (2013). Thematic analysis, with its theoretical freedom, allows researchers to provide rich, detailed, and complex accounts of data. Thematic analysis can be used across a range of theoretical approaches, making it a flexible and useful research tool for the current study. This desktop study extensively reviewed secondary data in order to expand this researcher's subject knowledge of the research area and to obtain answers on how MNCs operating in Malaysia use CSR reports to communicate with their stakeholders. A range of databases was used to search for literature relating to CSR. These included EBSCO, Google Scholar, and AUT library catalogue to search for up-to-date articles and books relating to the topic. Searched terms included CSR, MNC, legitimacy theories, along with derivatives of these words. The search also included using a variety of combinations of these terms for a more thorough search of the literature.

1.5   Research objective

The broader research objective of this study was to analyse how MNCs operating in Malaysia used CSR reports to communicate with their stakeholders. The research question for this study is: How do MNCs operating in Malaysia use CSR reports to communicate with their stakeholders.

This main research question is further broken down into three subsidiary questions:

1. RQ1: How are CSR reports written in terms of their readability and content?
2. RQ2: How is CSR communicated to the stakeholders?
3. RQ3: Who are the stakeholders to whom CSR reporting is communicated?

The aim of the three subsidiary questions above is to further navigate this study towards clarifying the motivations behind CSR initiatives. Moreover, this research seeks to examine the usefulness of organisational theory framework in explaining the motivations behind MNC CSR reporting. This study believes that answers to these questions can offer valuable country-specific insights into Malaysia's CSR reporting. This insight will help inform public relations practice and scholarship on the nature of CSR in Malaysia.

1.6   Overview of the remaining chapters

This chapter explored the rise of CSR and its importance to the host countries, while also exploring how this practice has been gradually integrated into the Asian business ecosystem. This chapter expressed the aim of the study which was to determine how CSR reporting was used in Malaysia to communicate with stakeholders. This chapter briefly touched on the importance of CSR reporting, showed the research gap on CSR reporting in Malaysia and how this all led us to the three main research questions above.

In Chapter 2, the researcher provides a historical and theoretical overview of CSR with an examination of CSRs definitions, theories, concepts, and practices. This chapter also discusses the theoretical framework of this study, the organisational legitimacy theory and stakeholder theory. Furthermore, the purpose of this chapter was to discuss how the two theories help in understanding the importance of CSR reporting and why CSR reporting should be communicated to MNCs stakeholders. Chapter 2 also served to introduce Malaysia by presenting general facts on Malaysia and CSR practices in Malaysia.

In Chapter 3, this study showed how thematic content analysis, constructivism, and organisational legitimacy theory was used to scrutinise CSR reports from three individual MNCs operating in Malaysia. Chapter 4 provides an overview of how the data was collected for creating codes and presented the results according to identified themes. Chapter 5 discusses the findings and conclusion. Here, theories discussed in chapter 2 is applied to the findings to see how these related to the themes produced in results.

Chapter 2 Literature review

This chapter reviews current CSR research. The purpose of this chapter is to introduce the concept of CSR and how it is relevant to the MNC in the context of developing countries, specifically Malaysia. To have the license to operate, MNCs need to adhere to rules and regulations set up by the authorities in developing countries (Lanis & Richardson, 2015) as well as conform to a set of beliefs determined by the society (Suchman, 1995). However, this does not mean that MNCs are accountable or answerable to all of society's issues, only those related to their stakeholders. Current literature demonstrates the key role CSR plays in building a company's reputation and how CSR reports can be used by corporations to legitimise themselves to their stakeholders. CSR reporting has thus gained more importance on the corporate level since the early 2000s.

Chapter 2 also serves to introduce Malaysia by presenting general facts on Malaysia and CSR practices in Malaysia. Additionally, as the focus of the study is on CSR report, this study also provides an examination of CSR reporting. The first section introduces globalization and MNCs operating in Malaysia. The remainder of this chapter is organised as follows.

Section 2.2 introduces CSR and provides an overview of the history and evolution of CSR over the years. Section 2.3 presents the CSR practices across Asian MNCs and with background information on Malaysia, its history, and status of CSR practices. Section 2.4 presents the introduction to CSR reporting and criteria of quality CSR reports. Section 2.5 presents the theoretical framework for this study.

2.1 Globalization, multi-national corporations and the need for CSR

An MNC is defined as an entity that engages in foreign direct investments and controls value-added activities in two or more countries (Dunning & Lundan 2008). MNCs management headquarters are in their home country while their operations are in several countries (Prentice & De Neve, 2017). The revenue of some MNC even exceeds the GDP of some countries, making these MNC a powerful influence in some developing countries. The modern form of the MNC started in the shape of the British East India Company in 1601 and the Dutch East India Company in 1602 when they expanded out of the home markets of Britain and Holland, driven by discoveries of new sailing routes by European explorers. The rise of the MNCs was subsequently boosted by improvements in technology, from sailboats to steamships and subsequently railway and container vessels. The rise of the internet also propelled the number of MNCs from approximately 3,000 in 1990 to roughly 63,000 (with 821,000 subsidiaries) in 2003. (Gabel & Bruner, 2003). These MNCs are major sources of tax revenue to the countries in which they operate, employ local employees, and offer goods and services that were previously

unavailable. While they would add competition to local enterprises, the technology, techniques, and expertise also offered long-term advantages to the local industries.

These entities were motivated to invest abroad for a multitude of reasons, ranging from lower operating costs (for a manufacturing concern), increased purchasing power in the target country (for services firms e.g. insurance companies or banks), and various geographical factors. Selling or manufacturing products in a foreign country would require various forms of investments, which covers both physical investments such as inventories, manufacturing plants, warehouses, office buildings, transportation equipment, or intellectual investment such as moving personnel abroad, training of local human capital, or technology transfers. These investments lead to the integration of MNCs into local networks, evolving overtime to form key structures in the economic environment of the target country (Hennart, 2012).

In order to stay relevant, it is of utmost importance for corporations to continuously engage with their stakeholders to stay updated with the dynamic, amorphous landscape of social expectations (Moon, 2014). Stakeholders are defined as individuals or groups that can "affect or are affected by the achievement of the organisation's objectives" (Freeman, 2010, p. 25) and encompass mainly employees, customers, suppliers, shareholders, managers, governments, NGOs, media, competitors, and special interest groups.

The global impact of the MNCs is immense, from the cultural clout of the likes of McDonald's, media outlets, and record labels to their ability to influence tax rates, social policies, or accounting practices of developing economies due to the competition to win their investment. (Gabel & Bruner 2003). While the MNCs are dominated by their global strategy (headquarter policies and practices of the home country), local management is still required to balance it against the strategic position and economic performance of its subsidiary and the level of embeddedness of the subsidiary in the target country. (Geppert & Williams 2006).

2.2 Evolution of corporate social responsibility

Rapid globalization has placed enormous societal pressure to conduct business in a more socially responsible way. The origins of CSR can be traced to the birth of capitalism, with 20th century issues of civil rights, environmental protection, women rights, and consumer rights being the drivers of the shift in corporate focus from one primarily fixed on investor return of investment to a more holistic approach based on stakeholders (Carroll, 2008). The exponential growth of CSR popularity is unsurprising, with corporate entities now very keen to voluntarily apply different courses of action either to placate pressure groups or to demonstrate their consciousness of societal responsibility to their stakeholders.

The modern understanding of CSR includes three important principles, namely the concept of "triple bottom line" (Hung Baesecke, Chen & Boyd, 2016; Savitz, 2013; Savitz & Weber, 2014). The concept of triple bottom line contains three principles for achieving sustainable development of enterprises:

- Environmental principles (responsible use and advocacy for environmental resources)
- Social equity principles (fair treatment)
- Economic principles (generation of benefits to sustain the development of the environment and social companies)

However, this relatively young concept is based on the complicated and often turbulent relationship between society and business. CSR provides a background of enhanced interaction between organisations and its stakeholders, empowering stakeholders to hold organisations accountable to uphold these principles and therefore effectively adjusting the traditional power dynamic between the two (Taylor & Kent, 2014).

2.2.1 The early 20th century

The 1900s saw large-scale productions by corporations brought on by industrialisation and urbanisation. These massive changes gave rise to new concerns regarding the labour market. Farmers and small corporations struggled to keep up with the changing interdependent economy and working environment that was characterized by the establishment of unions that strove for better working conditions and a middle class worried about the loss of religion and family values in light of the newly industrialised society (Heald, 1970). As a result, some business leaders created organisations to promote improved working conditions in efforts to satiate the divide between the industry and the working force.

From the late 1920s to the early 1930s, business managers began to take responsibility for balancing profit maximization while meeting the needs of customers, their workforce, and the community as a whole (Carroll, 2008). This led to managers acting as trustees in different external relationships with the company, which in turn translated into the social and economic responsibilities of the company (Carroll 2008; Heald 1970). The industrial boom during World War II and during the 1940s allowed companies to begin to be seen as socially responsible institutions. Therefore, a broader discussion about such responsibilities began (Heald, 1970).

2.2.2 The 1950s: Business responsibility with industrial wealth

As growing numbers of corporations started undertaking social responsibility throughout the western world, questions on what exactly those responsibilities entailed started arising. These queries were not addressed in literature until the 1950s when the first frameworks for the

modern definition of CSR were formed. These theoretical frameworks in academic research of CSR focused mainly on social level analysis while providing practical implication (Lee, 2008).

Howard R. Bowen, an economist also known as the father of CSR, first introduced the concept of CSR in his book "Social Responsibility of the Business- 1953". A key question which Bowen (1953, p. xi) asked and still persists today is "What responsibility to society may businessmen reasonably be expected to assume?". Bowen (1958) believed that large corporations wielded great power and influence on society, and as such, they needed to alter their decision-making approach to include their potential impacts on society. The author then went on to define specific principles that corporations should adhere to when conducting their social responsibilities. Social responsibilities of business executives were defined as "the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society" (Bowen, 1953 p.6). This approach represented the core of CSR practices as it saw corporations respond to society.

2.2.3 The 1960s: Formulation of regulations

During the 1960s, CSR activities were significantly swayed by the growing awareness of CSR in society and social movements of the time. Research during this decade was mainly focused in the US as the effects of the growing interest in CSR were most noticeable here. Some of society's main concerns during this period revolved around rapid population growth, pollution, and resource depletion, and corporations were pressured to respond to these issues (Du Pisani, 2006).

The 1960s also saw an emerging social milieu marked by the protest culture which initially involved civil rights. These protests quickly turned into radical activism that pressured the establishment for positive changes. Consequently, academics in this decade viewed CSR as a response to societal issues. Davis (1960) argues that businesses have an obligation to society in terms of economic value, and if carried out, would result in economic returns for the firm (Davis, 1960). This further encouraged corporations to 'share' their wealth in the form of donations and scholarships. These charitable activities by corporations showed the philanthropic nature of CSR in its practical implementation even when the social context of the 1960s was reflected in its theoretical and academic approach (Carroll, 2008).

2.2.4 The 1970s: Merging of business and social interests

By the 1970s, the growing social unrest sparked by anti-war sentiments, social awareness, and the overall social context of the time, translated into dissatisfaction among the public towards businesses, largely due to the perception that corporations were unable to meet the needs and wants of the people (Waterhouse, 2017). Given that environmental, human, and labour rights

movements were at the forefront in this decade (Carroll, 1999) and McGuire (1963) argued that a firm's responsibility no longer merely encompassed its legal and economic obligations but extended to politics, social welfare, and the well-being of its employees.

With the importance of striking a balance between industry and its workforce in mind, some business leaders established organisations aimed at the promotion of values and the improvement of working conditions. One such established organisation, the Committee for Economic Development (CED), attempted to rationalize the extent of corporations' involvement in societal issues by stating that "a business functions by public consent and its basic purpose is to serve constructively the needs of society – to the satisfaction of society," (Committee for Economic Development, 1971). This rationale regarding the roles and responsibilities of corporations by the CED brought about a change in corporations' management of social responsibilities (Carroll, 2015).

Another organisation that was born from social dissatisfaction is the Environment Protection Agency (EPA). Environmental issues were also at the forefront of social movements during the 1970s. The need for corporate accountability was heightened by a major oil spill in 1969 near Santa Monica, USA. This incident led to a wave of protests across the US involving up to 20 million people, who demanded a cleaner environment and a more sustainable future. These protests were mainly aimed towards corporations who were viewed to be culpable for the growing environmental pollution (Earth Day, 2018). The formation of the EPA resulted in new regulatory frameworks that required corporations to be proactive in tackling environmental issues. By the 1980s, the concept of CSR had been firmly established. Carroll (1979) proposed one of the first unified CSR definitions which stated that: "The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organisations at a given point in time." Carroll (1979) viewed both economic and social objectives as integral parts of business frameworks. Based on this, Wartick & Cochran (1985) developed a framework of principles, processes, and social policies. This was further developed by Tuzzolino & Armandi (1981) into a need-hierarchy framework based on five criteria: profitability, organisational safety, affiliation and industry context, market position and competitiveness, and self-actualization, to assess a company's social responsibility. CSR had begun to be perceived as a vital component in corporations' decision-making process (Jones, 1980).

2.2.5 2000s: Strategic CSR

CSR came into the global spotlight when the United Nations Global Compact (UNGC) was introduced at the World Economic Forum in 1999. The idea of the UNGC stemmed from shortcomings in the governance of the time, with respect to universal, social and environmental principles, in the markets (United Nations Global Compact, 2008). The UNGC encouraged its

member corporations to adhere to ten defined principles while forming their strategies, policies, and procedures. These ten principles aimed to create a corporate culture that upheld integrity and long-term success (United Nations Global Compact, 2008). Although UNGC was never directly linked to CSR, its ten principles with their focus on human and labour rights, environmental issues, and anti-corruption policies resembled the principles of social responsibility.

With the increase in the number of governments and regulatory agencies, companies were shouldered with obligations to a wider range of stakeholders, which eventually formed Carroll's famous "Pyramid of Corporate Social Responsibility" (1991). In the pyramid of CSR, Carroll (1991) raises the four main responsibilities of any company:

I. Financial responsibility as the base of other levels of the pyramid
II. The legal responsibility of the company
III. The moral responsibility to shape the behaviour of the company goes beyond compliance with legal obligations
IV. The philanthropic responsibility of the company to improve the quality of social life.

Elkington (1994) also emphasized the importance of maintaining long-term partnerships with stakeholders through the proposed "triple bottom line" approach, which established a framework for balancing the social, environmental, and economic impact of the business. Burke & Lodgson (1996) developed the Carroll (1991) model by proposing a strategic five-dimensions approach to CSR which connects values and goals such as:

I. Centrality, which represents the degree of proximity of CSR to the company's vision and aims
II. Specificity, which represents the ability to obtain specific benefits for the company
III. Initiative, meaning the ability to formulate policies based on social trends
IV. Voluntary, interpreted as not being affected by external compliance requirements
V. Visibility, which refers to the relevance of observable and identifiable CSR to internal and external stakeholders

The concept of companies giving back to society started as a knee-jerk reaction to consumer dissatisfaction. It took nearly 100 years before CSR began to be viewed as a core concept that a company should be built around, rather than bones thrown to appease the hungry. This is exemplified by the most commonly used definition of CSR in the modern world by Carroll (1979), who necessitated that corporations carry out specific expectations and responsibilities (discretionary, ethical, legal, and economic), with the understanding that social objectives were equally as important as social ones in the business framework. This saw businesses adopting social practices as a necessary requirement when conducting their operations. This gave way

for CSR to evolve to its recent form as a public communication tool which allows them to meet social standards while ensuring economic priority.

2.3 CSR practices by Asian MNCs

CSR is considered a necessity for companies hoping for global expansion. However, research from Asian countries, especially in South East Asian countries, seems to be lacking despite increasing globalisation. Globalisation in itself poses a myriad of new challenges for MNCs. One of the challenges is that CSR practices can be interpreted differently based on various cultural and geographical contexts. A number of Western-origin MNCs appeared to struggle in consolidating their countries' cultural norms and values to that of their host country (Chapple & Moon, 2005). Expanding on this idea, Chaudri (2006) noted that MNCs face challenges in effectively practicing CSR within the host communities to optimally serve the people in the areas they operate in. Along with affecting the physical environment, the actions and handlings of an organisation, including its socially responsible actions, also influences and shapes its surrounding community. When an organisation creates a centre of operations in another country, certain factors such as differences in cultural norms, values, and organisational practices, need to be considered. No culture is identical to another, thus, an MNC cannot treat the surrounding environment and community similarly as another counterpart.

Scholars have found that much of the CSR engagements in developing nations involve community development, where the MNC hopes to bridge a gap within the society that its government is unwilling or unable to fill (Sisson & Sarabia-Panol, 2018). A society's reliance on businesses to uphold a certain standard of global governance is referred to as a governance gap, which sees businesses as having a significant role in nation-building. This sentiment is further reinforced by Newell and Frynas (2007), who noted that CSR is a requirement of MNCs in its contributions to the developmental growth and economic alleviation of its host community.

Sharma (2013) further developed this idea by arguing that Asian CSR activities are mostly driven by nation-building, where in certain cases, companies are required to contribute to post-conflict rebuilding and developments. She went on to claim that it is common for necessities such as power, water, and infrastructure to be funded by corporations in Asia. This practice, known as "classical philanthropy," however, limits the impact of CSR on community philanthropy. Hence, only the community in the vicinity of the corporation benefits from its CSR practices (Sharma, 2013). Welford (2004) acknowledges that CSR practices in Asia vary from practices in the West due to the differences in social and cultural norms. Yet, Chapel and Moon (2005) found that CSR is contentious in Asia as it challenges traditional values with

modernity. They went on to argue that requiring MNCs to conduct CSR in developing nations can be controversial as it can be viewed as a form of westernisation.

Adapting to a new culture can be challenging for an organisation as it not only places additional expectations within the business context but also requires it to consider various legislations and viewpoints from its multinational stakeholders. It affects how decisions in a company are made regarding the social, environmental, and economic impacts to establish a balanced corporate atmosphere (Alexander, 2008). This could pose a problem since some businesses that move to an international context experience much lower standards of living than their domestic headquarters (Smith, 2003). Companies have started adapting to new locations and discovering ways to help stabilize their position in their international working environment. Considering that international companies tend to have a larger range of stakeholders, companies need to adapt their CSR practices with the differences within each country and understand that stakeholders' outlook could be culturally explicit (Birch & Moon, 2004).

Chapple and Moon (2005) state that international companies are more likely to report their CSR practices than those that only function domestically. Based on a study on corporate web pages by Weaver (2001), Americans tend to codify social relations with rules, while Asian firms may rely more on a cultural mechanism such as philosophy and guiding principles (Weaver, 2001). Accordingly, Chapple and Moon (2005) further noted that increased business activities by Western businesses in Asia could boost and spread the amount of CSR used within the region. In Welford's (2005) study, 20 different companies' CSR policy elements were evaluated, and it was found that Asian firms underperformed in CSR activity when compared to its European and North American counterparts. This is especially true with fair wages and equal opportunities for employees. One such example is overtime pay, as Asian working culture tends toward longer working hours, but companies do not register statements based on employees' working hours or overtime. Additionally, Asian business practices are not as concerned with in-house education systems and development programmes compared to North America and Europe (Welford, 2005).

Comparing the CSR progress of different countries has proven to be difficult as there are no globally agreed-upon benchmarks to make assessments. This difficulty is exacerbated by the differences in CSR reporting in Asia compared to the West. Adding to that, independent CSR monitoring and benchmarking is also relatively weak in Asia, although some companies may have internal metrics to measure CSR effectiveness.

2.3.1 Importance of CSR in Asia

As public awareness of CSR grows, companies have moved to adopt CSR activities into their company practices and policies. But what is the importance of CSR to a corporation? The

answer to this is not so straightforward. Bhattacharya and Sen (2004) viewed CSR as a way to obtain immediate positive relations, to be durable against negative news on the company, and to build public brand awareness. On the other hand, Weber (2008) found five main reasons for companies to incorporate CSR that include boosting a company's image and reputation, to create positive employee engagement to increase motivation, retention, and recruitment, to save cost, to increase revenue due to higher sales and market shares, and to aid in risk reduction and management. Sprinkle and Maines (2010) posed four key reasons for CSR which postulate that a company might genuinely have altruistic intentions, that they might use CSR as a cover to appease their various stakeholders, that they use it for positive employee relations to increase employee motivation, retention, and recruitment, and lastly that they have consumer-related motivations as CSR activities might provide a positive company image.

Company image is a major reason for organisations to engage in CSR. According to Husted and Allen (2007), CSR can be used to boost corporate reputation by improving consumer and stakeholder awareness of products. They went on to claim that a good corporate reputation has a positive relation to value creation and is difficult to replicate (Husted & Allen, 2007). Bayoud and Kavanagh (2012) claimed that CSR can improve organisations' reputation, financial performance, employee engagement, consumer satisfaction, and foreign investment. Park et al. (2014) also concur that CSR practices would positively impact consumers' assessment of an organisation's reputation as it cultivates a sense that the corporation adheres to high ethical standards.

One of the most popular forms of CSR is philanthropic activities through the donation of resources such as money, time, food, or other necessities to assist in the welfare of a community. Philanthropy and community development in Asia still lag behind their European and American counterparts (Baughn et. al., 2007). China, being one of the world's major economies, is fairly new to CSR but has been steadily progressing past traditional community involvement and is creating newer forms of socially responsible activities, production practices, and employee relations (Chapple & Moon, 2005). This comes after pressure from the growing awareness of the Chinese middle-class and revised corporate laws and regulations on CSR and harsher punishments for companies failing to meet national environmental, social, and governance (ESG) standards.

2.3.2   CSR in Malaysia

Malaysia is an independent state that is nestled in South East Asia between Thailand in the north and Singapore to the south. The country's rich resources attracted foreign mercantilism, which represented the primary reason for Malaysia's long history of colonization. The country

had been colonized for more than 400 years before achieving its independence in 1957 (Amran and Susela, 2008). The Malaysian government has introduced, since independence, various programmes which aim to enhance good moral values and integrity in the public sector i.e., the 'Clean, efficient and trustworthy' campaign, 'Excellent work culture' campaign, 'Code of work ethics' (National Integrity Plan 2004) campaign. These initiatives were introduced to instil ethical practices within the workplace.

According to Samovar and Porter (2001), culture can be defined as a "shared learned behaviour which is transmitted from one generation to another for the purposes of promoting individual and social survival, adaptation, growth and development". Conversely, Hofstede (1984), a Dutch social psychologist, defined culture as the "collective programming of the mind which distinguishes the members of one human group from another" (Sriramesh & Takasaki, 1999). The diverse cultural values and religious beliefs practiced by the multi-ethnic groups in Malaysia provides it with a relatively unique cultural landscape. Living in a pluralistic society requires Malaysians to be highly tolerant, respectful and to adopt a mutual understanding and respect if harmony is to be maintained in the long term. Malaysia's enduring vision is to create a united Malaysian nation or 'Bangsa Malaysia' (Malaysian nation) in which the different ethnic groups are able to share a common national identity and maintain a high level of ethnic tolerance (Abdullah and Pedersen, 2003).

As CSR practices grow on a global scale, Malaysia has also been gradually aligning itself more with global management practices such as quality management and ISO 9000 (Lu and Castka, 2009). According to the Global Trade Performance Report (2005), Malaysia ranked nineteenth in world exporters, making it a largely export-oriented country. This makes it crucial for Malaysia to conform to global standards and adopt CSR into its business practices. The Malaysian government is one of the few in Asia to enact CSR reporting requirements for public limited companies. Since the inception of the Global Reporting Initiative (GRI) in 1999, sixteen different Malaysian companies have published GRI reports as of July 2012. There are more than three different annual award programs in Malaysia to recognize the CSR contribution of local businesses. Despite these advances, the practice of CSR still has room for growth beyond philanthropy. CSR Asia conducted an analysis of media reporting and concluded that CSR is still largely seen as philanthropy, and knowledge regarding its implementation is superficial, and partnerships need greater direction and monitoring (CSR Asia, 2009). In addition, the Malaysian Association of Chartered Certified Accountants (ACCA), in conjunction with their 2007 Malaysia Environmental and Social Reporting Awards (ACCA, 2007) revealed multiple reporting weaknesses, including companies being overly focused on philanthropic activities (UNICEF Malaysia, 2012).

Another key influence on the growth of CSR in Malaysia is Vision 2020 (Hasan,2015). Launched in 1990, the Vision 2020 is the brainchild of the former Prime Minster of Malaysia, Tun Dr Mahathir Mohamad. Vision 2020 signifies the value of long-term goals and primarily aimed to elevate Malaysia from a developing country to a developed/industrialised country by the Year 2020. Dr Mahathir envisioned Malaysia as a united, fully developed nation in every aspect, politically, socially, spiritually, psychologically, and not just from an economic perspective. Over the last 20 years since its inception, Vision 2020 represented an overarching goal for Malaysian MNCs to achieve and was a strong influence on how Malaysian MNCs were run. The principles of CSR are embedded in three of the challenges of Vision 2020, which are to become a moral and ethical community, a fully caring culture and an economically just society.

Being a developing country, Malaysia faces a number of social and environmental problems. Rapid economic growth, globalisation, and urbanisation are often related to environmental issues, such as climate change, environmental degradation and reduction of ecological diversity, depletion of non-renewable natural resources, and extinction of wildlife. On the social aspect, several cases of corporate misconduct have been reported, such as the case with Transmile Group Berhad and Megan Media Holdings Berhad, and other issues of corruption. These examples raise the level of importance of extending a company's accountability to stakeholders and to act in a socially responsible manner in all areas of business (Brennan & Solomon, 2008). There is a need to establish social and environmental reporting by companies in order to demonstrate the commitment of companies towards these broader responsibilities.

A study on Malaysian CSR activities by Nik Ahmed et al (2003) and Haron et al (2006) found that there is a substantially wide gap in stakeholder knowledge as well as a low standard of CSR practices in the area.

2.4   Theoretical framework for CSR disclosure

Two of the most commonly applied theories to explain why companies voluntarily disclose their CSR information are legitimacy theory and stakeholder theory (Fernando & Lawrence, 2014). These two theories are viewed as complementary as they are both used to explain the underlying motives of CSR disclosure. Legitimacy theory sees CSR divulgences as part and parcel of the process where corporations gain legitimacy, whereas stakeholder theory views disclosure as a form of inherent accountability to stakeholders.

Legitimacy theory is pivotal in analysing how a company deals with CSR (Meng, 2017). Companies employ various approaches in order to maintain their good standing in society (Suchman 1995). One of the key components of legitimacy theory is managing stakeholder perceptions, which includes tactical discussions regarding environmental and societal issues. Prior CSR literature and legitimacy theory suggests that legitimacy-related incentives are

significant drivers of voluntary CSR disclosure. Research shows that legitimacy theory offers vital insight into the CSR disclosure practices of companies.

2.4.1 Organisational Legitimacy Theory

Legitimacy assumes that the actions of a given corporation resound with the values and principles of their host society and are perceived as beneficial and suitable to the community at large. (Suchman, 1995). Legitimacy thus can be viewed as a social contract among corporations and their individual stakeholders which includes, local governments, international organisations, NGOs, shareholders, and the community at large (Guthrie & Parker, 1989; Deegan, 2002; Naser et al., 2006). Essentially, legitimacy seeks to persuade stakeholders that a corporation's presence and its benefits outweigh any potential disadvantages, thus allowing a corporation to maintain continuity (O'Donovan, 2002; Higgins & Walker, 2012; Tregidga et al., 2014). All of this is achieved by focusing on a sense of moral and cognitive legitimacy as well as pragmatism.

Legitimacy is vital in sustaining a company as it provides a supply of resources and a strong stakeholder base (Pfeffer & Salancik, 1978). Tilling (2004) posits that legitimacy theory is broken into 2 major classes – institutional legitimacy theory which theorizes how society at large has come to accept capitalist organisations, and organisational legitimacy theory, a process by which an entity seeks approval from various tiers of society. Tilling (2004) goes on to claim that businesses are wholly reliant on legitimacy in order to function. Organisational legitimacy is divided into three different concepts which are pragmatic legitimacy, cognitive legitimacy, and moral legitimacy (Suchman, 1995). A further explanation of the three concepts will be provided below.

2.4.1.1 Pragmatic Legitimacy

Pragmatic legitimacy shows how stakeholders' interest can be affected by companies' actions (Suchman, 1995). The public offers corporations' pragmatic legitimacy, which is established on vested public interests that are either influential or exchanged in nature (Suchman, 1995; O'dwyer, Owen & Unerman, 2011).

Influential legitimacy is gained by corporations taking into consideration interests important to society and its responsiveness to stakeholders (Suchman, 1995). The influential stakeholder's disapproval can severely affect the company's legitimacy (Dowling & Pfeffer, 1975). Conversely, exchange legitimacy derives its meaning from societal support for a company policy that is based on expected benefits, which may comprise employment opportunities or technological improvements.

2.4.1.2 Moral Legitimacy

Components of moral legitimacy include structural, personal, procedural, and consequential legitimacy. Moral legitimacy is defined as "conformity with cultural norms and values" (Aldrich & Ruef, 2006, p. 186) and on the manager's belief that the activities chosen are "the right thing to do" (Suchman, 1995). Characteristics of company leaders form its personal legitimacy (Suchman, 1995; O'dwyer, Owen & Unerman, 2011), while structural legitimacy is derived from how closely a company's projected image falls under morally favourable taxonomy (Suchman, 1995). Procedural legitimacy arises from the moral grounds that companies use to achieve their goals and is seen by company efforts in producing best practice guidelines to steer their day-to-day activities (Suchman, 1995; O'dwyer, Owen & Unerman, 2011; de Villiers & Alexander, 2014). Lastly, results and tangible accomplishments form the base of consequential legitimacy and are exemplified by lower workplace dissatisfaction, reduced emissions, and increased employment (Suchman, 1995; Carels et al., 2013).

2.4.1.3 Cognitive Legitimacy

The notion that a company is an integral part of societal fabric, along with detailed explanations of all corporate decision-making, form the two cornerstones of cognitive legitimacy (Suchman, 1995). Corporations are able to leverage CSR practices to increase visibility in society, ensuring their standing as a whole is cognitively legitimate. Organisations obtain legitimacy from their microenvironments (Johansen & Nielsen, 2012). Pragmatic legitimacy is typically related to influence, benefits, and societal exchanges in the context of organisational legitimacy. Therefore, pragmatic legitimacy is often linked to the laws and regulations, as organisations have to conform to legislative pressure in order to gain legitimacy. To quote Suchman (1995), an organisation is viewed as legitimate if they operate in accordance with legal requirements. Moral legitimacy is often equated with professional conduct and is marginalised or negated in favour of professional endorsements.

As shown in the diagram below, organisational legitimacy is divided into three different concepts which are pragmatic legitimacy, cognitive legitimacy, and moral legitimacy (Suchman, 1995).

2.4.2   Stakeholder Theory

Scholars have claimed that corporations and CSR are inseparable, as the growth of a corporation is equivalent to the amount returned to the community. Frederick (1994) and Davis (1960) assert that a corporation's duty is in their endowment to their various stakeholders. As such, corporations need to continuously re-evaluate their position and contributions to a given society. This then breeds a perception that a corporation's ability to communicate and engage with its society represents a marker of corporate success. Corporations are scrutinised principally by

their stakeholders (Bomann-Larsen & Wiggen, 2004). Stakeholders may either be individuals or groups who contribute towards a company's growth and development (Murray & Vogel, 1997).

A study by Wolpers (2017) on the reaction of six MNCs to allegations of labour violations reveal that external stakeholders such as non-governmental organisations and the media have the power to pressure corporate wrongdoers to change their established working practices. Five out of the six MNCs in this study implemented changes as a response to demands of the local government, NGOs, and multi-stakeholder initiatives (MSIs) (Wolpers 2017).

Management can face challenges when it comes to dealing and mediating with stakeholders due to their diversity (Murray & Vogel, 1997). Vogel (2008) contends that a clear understanding of stakeholder's interests are vital CSR practices. Vogel (2008) further summarised that multiple means of communication should be used to deal with any untoward events to minimise any chance of misunderstanding between a business and its stakeholder as well as to manage each parties' expectations.

The expansion of businesses into foreign areas creates bigger complications in communications with stakeholders due to differences in languages and cultural climates (Bomann-Larsen & Wiggen, 2004). Burke and Lodgsdon (1996) established a framework consisting of five essential dimensions: visibility, reactivity, voluntarism, centrality, and specifics, in dealing with the effective implementation of CSR in a business. However, Burke and Lodgsdon's (1996) method of implementing CSR practices in business, though comprehensive, failed to demonstrate practicality in the real world. Branco and Rodrigues (2007) affirmed the notion that the stakeholder's perspective has become inevitable in CSR discourse and analysis.

The success of businesses is intrinsically tied to stakeholder involvement and contributions, a view that was labelled as the stakeholder perspective of business management by Freeman et. al (2010). While CSR and stakeholders were not definitely linked, CSR is often seen as a good yardstick in determining business growth. Businesses are defined as more successful if they are seen to have more stakeholder and public support for their social undertakings. This led to increased transparency and frequency in stakeholder engagement, as this is seen as being more in touch with societal needs (Freeman et al., 2010). As a result, there has been a growing interest in scholarly research into MNC contributions. How stakeholders stand with the business can be gauged by the degree of open communication between the public and the corporation (Freeman et. al., 2010).

Stakeholder theory (Freeman et al., 2010) finds that businesses survive longer once they have achieved a delicate balance between company and stakeholder interests. Strong relationships with key stakeholders were predictive of an MNC's sustainability (Post, Preston & Sach, 2002). Review of literature above shows that stakeholders play an important role in the success of

corporations, it is therefore relevant for corporations to identify their stakeholders. Study suggests that a viable way for corporations to identify their stakeholders is through the Mendelow's Matrix (Olander & Landin, 2005). This study will now look into the concept of Mendelow's Matrix.

2.4.3   Mendelow's stakeholder Matrix

Mendelow (1991) presents a power/interest matrix that ranks stakeholders depending on how much interest and power they exert over a company's workings. The mapping out of stakeholders using this matrix allows corporations to gain an insight on who their key stakeholders are and which among the key stakeholders are likely to hinder or support a major project (Olander & Landin, 2005). Mapping their stakeholders enables corporations to yield power and leverage over their various stakeholders. Significant relationships are those with stakeholders who have high marks in both areas of power and influence. (Feurer & Chaharbaghi, 1996).

Through this matrix, companies are able to develop CSR strategies and reporting standards that will meet the requirements of their most important stakeholders. For example, the rising awareness of sustainability, especially in many of the MNCs home countries e.g. the Dow Jones Sustainability Group Index, would drive shareholders, typically one of the more important stakeholders, to demand more ethical and moral frameworks for the conduct of these corporations (Stiglbauer, 2011). These demands and requirements would then help to shape the sustainability requirements of the local subsidiary, e.g. banks from certain countries halting the financing of coal power plants due to pressure from shareholders and governments in their home countries.

2.5   CSR reporting

CSR reporting is defined as 'the provision of information about a particular firm that may embrace any subject in any medium to any party with the aim of providing a solution for improved accountability to a wide array of stakeholders on environmental and societal issues' (Gray et al., 1995). It involves extending a company's accountability beyond the traditional role of providing a financial account (Gray et al., 1996). CSR reports cover a variety of forms and are also known as social audits, environmental accounting report, and stakeholder dialogue reporting (Gray, 2002). Jenkins and Yakovleva (2006) argue that the CSR report covers more than economic concern as the CSR report also addresses issues that are important to companies' various stakeholders. Additionally, Jenkins and Yakovleva (2006) state that CSR reports cover both voluntary and mandatory reporting. Zulkifli's (2012) quest for definitions for new forms of

accounting finds that CSR, social accounting, environmental accounting, and social responsibility all possess the same meaning. Gray et al. (1995) found that previous CSR research has used these terms interchangeably when referring to CSR.

According to Mitchell et al. (1997), there are three elements which govern the relationship between a business organisation and its stakeholders. They are the stakeholder's influencing power, the legal relationship between the stakeholder and business, and the urgency of the stakeholder's claim. Cumming's (2001) study on 29 personnel from different industries shows there is a lack of stakeholder engagement across all personnel in CSR reporting for joint agenda setting, issue identification, and execution of CSR. Prado-Lorenzo et al. (2009) suggests that interest of stakeholders regarding information in CSR disclosure varies. According to Owen et al. (2001) certain stakeholder groups tended to favour engagement while groups from financial services institutions were notably less keen, suggesting that having a higher level of transparency can be problematic and that CSR reporting can be effective without the engagement. There are fears that stakeholder engagement may only serve to be a redundant activity in CSR reporting.

However, according to Bailey et al. (2000), Buhr (2002), and Friedman and Miles (2002), business organisations were more in favour of demonstrating accountability towards powerful and influential stakeholder groups. Owen, Shaw, and Cooper (2005) found that shareholders were considered to be a large part and represented a vital group in formulating CSR reports. As proposed by Hasnas (1998), holistic accountability is the correct form of social responsibility where stakeholders have rights to transparency whether it is requested or not (O-Dwyer, 2005). Business organisations are responsible and should be held accountable for producing CSR reports (Gray et al., 1996). Furthermore, the importance of stakeholder engagement is also implied in CSR definitions as it aids in pointing out issues that are deemed important to stakeholders, which supports the correct form of social responsibility following CSR reporting. Stakeholder engagement and dialogue can properly identify CSR issues, subsequently making CSR reports more effective. This will also force business organisations to take accountability for their actions (Owen et al., 2001; O'Dwyer, 2005 et al; Thomson & Bebbington, 2005).

Historically, companies were considered legitimate if they achieved a reasonable financial return from their capital investment (Patten, 1992). However, as corporate performance models became more stakeholder-centric, social, and environmental performance indicators grew more prominent (Solomon, 2010; IIRC, 2013). De Klerk and de Villiers (2012) argue that CSR information is value-relevant, as companies that provide more information on their CSR activities usually experienced higher returns than those that did not. Similarly, IIRC (2013) are of the same view. Conversely, Atkins and Maroun (2015) see non-financial measures as vital in comprehending how long-term financial returns are generated by organisations (see also Marcia,

Maroun & Callaghan, 2014; Cahan et al., 2016). This means that sustainability complements financial performance to give a complete measure of corporate success. Additionally, the combination of financial information and non-financial metrics function as a signal to stakeholders that companies can use to produce and sustain short, medium, and long-term value.

CSR reporting shows corporations as not just an economic entity but as a good corporate citizen (Guthrie & Parker, 1989; O'Donovan, 2002; Naser et al., 2006; Tregidga et al., 2014). Detailed non-financial reporting shows conformance with the generally accepted position that long-term sustainability is interconnected with effective CSR (IOD, 2009; Integrated Reporting Committee of South Africa, 2011). With this type of reporting being codified in the G4 Sustainability Reporting Guidelines (Global Reporting Initiative, 2013), detailed CSR disclosures are an important means of securing legitimacy (Naser et al., 2006). Corporations that put effort into their CSR reporting engenders confidence in their stakeholders as it signifies their adherence to societal norms (Higgins & Walker, 2012; Tregidga et al., 2014). Moreover, local MNC branches derive legitimacy from their respective parent companies through well-designed CSR strategies (Kostova et al., 2008). One example lies in the global MNC Nestle. In order to meet its primary goal of establishing a profitable global business, local Nestle branches design CSR programmes aimed at boosting access to basic commodities, social benefits, and healthcare (Porter & Kramer, 2006). O'Donovan (2002) interviewed Australian managers from mining, chemical, paper, and pulp industries, which represent sectors known for exerting a negative environmental impact. O'Donovan (2002) demonstrates how CSR disclosures were used as a complex legitimacy strategy to respond to stakeholders' apprehensions and expectations. Additionally, managers use CSR disclosures to align their values with those of key stakeholders to secure societal approval. The relationship between legitimacy theory and social disclosure was made by Patten (1992; 2002) through a comparison of Exxon annual reports before and after the Alaskan oil spill and found that environmental-related disclosures after the incident increased tremendously. This strategy is known as repairing legitimacy, as elaborated on by Suchman (1995), and is thought to function as a means of regaining favour with important stakeholders by providing detailed explanations of the incident. Interestingly, after the event, social and environmental disclosure by many other companies in the petroleum industry increased. This could be due to the need to manage expectations, respond to a significant environmental disaster, and to maintain legitimacy.

Belal and Owen (2007) in their study conducted 23 semi-structured interviews to study the attitudes of managers of Bangladeshi companies. The results show that the desire to manage powerful stakeholder groups was the primary driver of Bangladeshi CSR. They commented that "outside forces" and pressure from international buyers are the eventual motivating force behind rising CSR practices in Bangladesh. Using legitimacy theory as a framework, the drive

for Bangladeshi CSR had been re-examined by Islam and Deegan (2008). The results are similar to that of Belal and Owen (2007).

2.5.1 CSR reporting guidelines

Given the millions of corporations around the world, it comes as no surprise that the precise number of corporations actively producing CSR reports is difficult to ascertain in the absence of centralised data gathering institutions. For the most part, these reports were entirely voluntary. More recently, however, many countries are requiring companies to publish CSR-related information about their operations (Sethi & Martell, 2015). More businesses are adopting voluntary integrity assurance on their CSR reports to improve the credibility of CSR reports, address the concerns on social and environmental issues, enhance stakeholders confidence, as well as to assess and contain risk (Adams & Evans, 2004 ; O'Dwyer & Owen, 2005; Kolk & Perego, 2010).

The creation of the International Federation of Accountants International Council for Integrated Reporting (IIRC) was to establish a global integrated Reporting Framework by achieving more standardised CSR reporting, which includes environmental, social, and corporate governance information in a clear and concise manner (IIRC, 2012). The IIRC Integrated Reporting Framework establishes principles and content elements that determine the content of the integrated report and helps in deciding methods of informing unique values in a meaningful and transparent manner. Today, one of the most widely accepted guidelines for standards of CSR reporting was established by the GRI guidelines under their global standards for sustainability reporting. More than 70% of companies globally use the GRI guidelines to communicate their sustainability commitments.

KPMG research highlighted that the most common reasons that motivate larger companies to publish CSR reports is their ability to strengthen their position of goodwill while showcasing their ethical positioning in society. Unlike financial reports, which are standardised and regulated, CSR reports are wholly controlled by the issuing companies, giving rise to challenges in evaluating and comparing CSR reports (Cook & Schilke, 2010; De Beelde & Tuybens, 2013; Dhaliwal et al., 2011). As a result, the veracity of CSR reports has been questioned as companies accentuate the positive aspects of their CSR performance while neglecting the negative aspects (Mishra & Modi, 2013).

Based on Pavlik and Belcik (2010), a quality CSR report has to fulfil four main aspects, namely credibility, completeness, significance, and appropriate form. Credibility describes the commitment of the top management coupled with a description of corporate policy and introduction of personnel responsibilities. Credibility is also influenced by data collection, the objectives of the CSR report, third-party verification, and the involvement of key stakeholders.

Ideally, a CSR report should include all business operations and offices in the country and provide full disclosure regarding major corporate sectors that confer significant societal and environmental impact. In order to be significant, a CSR report ascertains that a company should maximise the use of quantitative and qualitative indicators to assess its social responsibility. The last aspect of a quality CSR report is the use of appropriate form, which means the format and content of the report should be clear (Pavlik and Belcik, 2010).

CSR reporting has traditionally been voluntary. However, governments and stock exchanges around the world are increasingly imposing mandatory reporting requirements. The Kuala Lumpur Stock Exchange has made it compulsory for all MNCs operating in Malaysia and listed in the Exchange, to disclose their CSR practices in their annual reports. This has resulted in an increasing number of companies that have begun to release standalone CSR reports with their annual reports. The KPMG International Survey of Sustainable Reporting 2020 (2020) found that Malaysia is among the global leaders in driving the trend of CSR reporting, with 99% of its top 100 companies in the country regularly publishing sustainability reports. This places the country just behind Japan, where all top 100 companies of the country publish CSR reports.

2.5.2 CSR report content

With regards to CSR content, Sotorrio and Sanches(2008) found that CSR topics tended to be clustered based on the geographical location of the MNC. For example, North American and European MNCs were more likely to report on social and environmental issues instead of issues that negatively reflected on the company. Ulman (1995) drew similar conclusions, stating that legally mandated CSR activities were more likely to be featured in reports. In contrast, MNCs based in developing nations more frequently reported on philanthropic activities.

Gao (2011) provides insight into 81 CSR report contents of publicly listed companies in China, a developing country. Prior to 2002, there were no companies in China that had openly published their CSR report. However, this proportion improved marginally to 5.05% in October 2008 (Gao, 2011). Most of these companies issued standalone CSR reports instead of publishing CSR as part of their annual report. Gao's findings also revealed that state-owned enterprises had a higher tendency to address social issues in CSR reports as compared to all other companies in China. Between industrial and service firms, industrial firms were more likely to share social responsibilities. Companies in China are not required to adopt international standards when publishing CSR reports, and the ones that did so, did it based on self-established guidelines. Overall, Gao's study also showed that the CSR reporting practice in China is still in its infancy, with substantial room for improvement. This comes as no surprise, given that there is low overall awareness regarding the significance of CSR in China compared to its Western counterparts. This is in tandem with the fact that the awareness of CSR in China is relatively new as compared to the countries in the West.

2.5.3 CSR report readability

In their study on readability of CSR reports, Smeuninx, Nils et al. (2016) used readability formulae and the more progressive natural language processing (NLP) – based analysis to symbolise and highlight the problems in the language of corporate reporting that can vary by region, types of industry, categories, and content. The study showed that most readers would not fully comprehend the content of sustainability reporting compared to financial reporting despite the former being more widely distributed. This could be attributed to the fact that the readers of corporate financial reporting usually consist of specialised groups such as investors and analysts, who would have the skills to handle the complexity of such reports (Courtis, 1995, 1998; Li, 2008; Stanton & Stanton, 2002). The readers of CSR reports are more diverse and range from the investors, employees, suppliers, business partners to members of the public that might have an interest in its social or environmental performance. These expanded readers may not be as equipped as the audiences for corporate financial reporting, and hence the content of CSR reports may be lost if reported using esoteric language. Smeuninx, Nils et al. (2016) did not find any variances in readability of CSR reports by industry but instead uncovered regional variability. They concluded that KPMG's call for more qualitative sustainability reports was warranted.

Wang et al. (2018) inspected 331 CSR reports of public companies in the US to determine whether there was a correlation between CSR performance and the readability of the CSR reports. They found that companies with good CSR performance tend to use language that is easily understood and disclose their CSR successes in a manner that accentuated positive information. Conversely, companies with poor CSR performance were more often than not found to employ convoluted sentences or words to confuse the readers to reduce the impact of the negative information. From the research, the trio concluded that there is a substantial positive link between CSR performance and CSR report readability. The findings also showed that CSR report readability is more affected by social performance compared to environmental performance. Based on their findings, Wang et al. (2018) argued that some form of regulatory intervention in prescribing standards for disclosures of CSR practices, especially with respect to socially related CSR activities and achievements, are required. This is to enhance the consistency and comparability of CSR reports and to assist readers in deriving value from these reports and to minimise the risk of distorted information being disclosed.

Hasan (2015) examined the CSR standards of 45 MNCs listed in Kuala Lumpur Stock Exchange (KLSE) through the companies' CSR reporting in their annual reports. According to Hasan (2015), companies in a higher consumer-related business need to be more accommodative to their various stakeholders. The implication from the study of Hasan (2015), is that strategic reporting adds substance to the standard of CSR reporting. Therefore,

readability and reports of MNCs CSR are vital. Especially important is the degree of thoroughness in describing the Company's CSR measures as this will provide readers with confidence that the CSRs activities are not mere window dressings.

2.5.4 Past research on CSR reporting in Malaysia

Studies by Teoh and Thong (1984) and Andrew et al. (1989) are among the earliest CSR reporting research in Malaysia. Teoh and Thong (1984) studied three related issues, namely the concept of CSR, the nature and extent of corporate involvement in CSR activities, and CSR reports. A survey of a combination of a hundred foreign and local companies in Malaysia revealed that only 29% of them reported on social performance in their annual reports, while most of the reporting focused on human resources and products/ services. Teoh and Thong (1984) were criticised for relying solely on personal interviews in examining the themes of CSR reporting. Ahmad et al. (2003) suggested that content analysis would have been a better procedure to examine CSR reporting in a company.

Yusoff et al. (2005), who investigated the environmental reporting made by 12 companies from environmentally sensitive industries, observed an improvement in reporting practices of companies between 1999 and 2002. Their results indicated that companies had moved from non-disclosure to more qualitative disclosure in three common areas, namely the environmental section or the health, safety, and environmental section; the chairman's statement; and in the review of operations. They suggested that the introduction of two awards, namely the Environmental Reporting Award in National Annual Corporate Report Award (NACRA) and the ACCA Environmental Award in 2000 and 2002 respectively, might have influenced the development of environmental reporting practices in Malaysia, apart from the increasing awareness of 'Triple Bottom Line (TBL) reporting' among companies. Research conducted by Ahmad and Sulaiman (2004) argues that limited support for the legitimacy theory in explaining the nature of and motivations for CSR reporting in Malaysia significantly influences CSR reporting in Malaysia.

In recent years, there has been increased research on CSR activities in Malaysia. Zainee and Puteh's (2020) quantitative study looks into the nexus between CSR and talent retention of 337 accountants working in Klang Valley, Malaysia. Yusoff et al. (2018) performed a content analysis measuring the disclosures of the annual reports of the top 50 companies in 2002-2003 and 46 top companies in 2009-2010. However, the study only concentrates on the environmental aspects. Similarly, a study by Mohd et al. (2016) only examined one aspect of CSR report, which was the extent and quality of water reporting of 10 public listed Malaysian companies. Beh and Rajaratnam (2017) explores how CSR is incorporated by business management. However, the focus of their examination is CSR practices employed by small and medium enterprises only.

Review of past CSR literature in Malaysia above shows that there are very few studies in Malaysia that describe and analyse how competitive MNCs integrate CSR into their business model.

2.6   Gaps in current literature

The review of literature shows that while there have been efforts to study the nature of CSR reporting in Malaysia (Teoh & Thong, 1984; Nazli, Maliah & Siswantoro, 2003) there has been no specific focus on CSR reporting by foreign MNCs operating in Malaysia. This research scales down the scope of previous research conducted for the purpose to examine the contents, how it is written, what it is writing about - in the CSR reports.

Research Objective: How do MNCs operating in Malaysia use CSR reports to communicate with their stakeholders?

This main research question is further broken down into three subsidiary questions:

1. RQ1: How are CSR reports written in terms of their readability and content?
2. RQ2: How is CSR communicated to the stakeholders?
3. RQ3: Who are the stakeholders to whom CSR reporting is communicated?

The aim of the three subsidiary questions above is to further navigate this study towards clarifying the motivations behind CSR reporting, specifically motivations behind CSR disclosure of MNC's operating in Malaysia. The research question "How are CSR reports written in terms of their readability and content" seeks to add to current literature on reading ease on CSR reporting. The question on "How is CSR report communicated to the stakeholders" attempts to enrich the body of work on CSR disclosure by disclosing how MNCs are fulfilling its social contract to its stakeholders and finally, "Who are the stakeholders to whom CSR reporting is communicated" looks to determine the primary stakeholders of CSR reporting to better utilise it as a communication tool in stakeholder communication.   This study believes that answers to these questions can offer valuable country-specific insights into Malaysia's CSR reporting. This insight will help inform public relations practice and scholarship on the nature of CSR reporting in Malaysia and how to better utilise it in stakeholder communication.

2.7   Conclusion

CSR research has primarily revolved around stakeholder and legitimacy theories (Fernando & Lawrence, 2014). Fernando and Lawrence (2014) argue that instead of using a single theory, an integration of these theories into a multi-theoretical framework and applying them to CSR

research allows for more thorough scrutiny into organisational CSR behavior. As such, this study will use organisational legitimacy theory as proposed by Suchman (1995) and Mendelow's stakeholder matrix as a theoretical basis.

With regards to Malaysia, the earliest reports are seen by Teoh and Thong (1984) and Andrew et al. (1989). Teoh and Thong (1984) explore CSR reporting, the nature and extent of corporate involvement in CSR activities, and CSR concepts. Interestingly, only 29% of 100 foreign and local Malaysian companies included social activities in their annual reporting, with a significant majority of these highlighting services, products, and human resources. Not surprisingly, Teoh and Thong (1984)'s methodology of deriving CSR reporting themes solely from personal interviews were criticised. Ahmad et al. (2003) found that CSR report analysis may have been scrutinised better using a content analysis approach.

CSR reporting studies have been done in relation to Malaysia; however, none of the studies were found related to CSR reporting and legitimisation. Research on CSR includes various topics such as CSR reporting, board independence, corporate board, and CSR reporting, as well as corporate reputation and CSR reporting. However, none of the studies were found to be specific in how MNCs use CSR reporting for the legitimisation of their actions. This provides a research gap to explore how MNC use CSR reports to communicate with their stakeholders

Chapter 3   Methodology

3.1   Introduction

This chapter explains the theoretical and methodological approaches used for this study. The theoretical framework explained in Chapter 2 was used for data collection and analysis. In order to address the research question of "How do MNCs operating in Malaysia use CSR reports to communicate with their stakeholders?", the CSR reports from three publicly listed MNCs in Bursa Malaysia from three different industries in Malaysia were scrutinised. These companies were chosen given the ease of access to their CSR reports, which are made available to the public through their corporate websites. Close examination of these reports, using organisational legitimacy theory as the base, subsequently allowed the three subsidiary research questions to be answered by dissecting the content, presentation, and targets of the CSR reports. The main aim of this study is to see how MNCs in Malaysia use CSR reports to communicate with their stakeholders, and as such, the most appropriate overarching paradigm to use is constructivism. Briefly, in this chapter, the paradigm of constructivism is first outlined, and next, the qualitative research approach will be elaborated upon. Given the scarcity of data surrounding CSR reporting of MNCs operating in Malaysia, an exploratory analysis was adopted in this study. Both stakeholder and thematic analyses were implemented in this study in order to fully capture the nuances of the impact of CSR reporting in the Malaysian context.

3.2   CSR constructionism

A research paradigm represents the underlying doctrine that guides selected research methods. Before understanding how constructivism appropriately relates to this study, two distinctions have to be made. The first represents the objective acquisition of knowledge that is interpreted independently of human nature and is broadly and universally accepted. To objectivists, knowledge "exists as such apart from any form of consciousness" (Crotty, 1998, p. 8). Objectivists believe that knowledge is common to all and is just waiting to be revealed without necessitating any human intervention. The second outlook is taken by the subjectivists, who regard knowledge as a subjective entity that is to be earned through effort. As such, knowledge of a human will be determined by his background, age, years of experience, skills, exposure, and interactions with others. The second outlook of subjectivism is the foundation of constructivism (Schwandt, 2000). As the purpose of this research is to focus on the Malaysian interpretation and usage of CSR reporting in contrast to global practices, constructivism represents a suitable stance that paves the way for a holistic analysis.

Crotty, (1998) suggests that constructivism dictates that the researcher and respondents are drivers of knowledge. Different people may derive different meanings from the same

phenomena. Constructivism mandates a variety of qualitative data collection strategies used in numerous different permutations that ultimately enable individuals to comprehensively interpret the data (Denzin & Lincoln, 2000). Given that CSR reports were published based on standardised reporting guidelines that were not created with the same intention that the current researcher intends to subject them to, constructivism is an ideal means of analysing the contents of these reports. Nevertheless, CSR content choices will inevitably influence certain core meanings extracted by the researcher.

3.3 Organisational theory in CSR

The application of theories to social phenomena is particularly well-suited, given the vast subjectivity and variability in the field. Theories provide frameworks for the analyst to scrutinise subtle nuances in social activities in a holistic manner that may have been missed had a literal approach been adopted. With regards to CSR scholarship, theories facilitate key insights as to why and how companies project their image to the general public.

As mentioned earlier, CSR has been explained using the triple bottom line concept, which is an amalgamation of environmental awareness, social equity, and strong economic sense in order to achieve corporate sustainability. With this, it is easy to see how corporations derive their existence from several different entities. Golob and Bartlett (2007) see CSR as a form of organisational engagement with its stakeholders, while simultaneously serving as a transparent platform for stakeholders to scrutinise the corporation. It is, therefore, natural to evaluate CSR using organisational legitimacy theory. An organisation's external environment strongly determines how an organisation acts and carries itself.

3.4 Qualitative research in CSR reporting analysis

Methods of data analysis are not set in stone despite the myriad of analytical strategies. Qualitative and quantitative are two primary research methods in sociology that differ and have their own respective strengths and weaknesses. Qualitative research is concerned with the collection of non-numerical data such as texts, photos, and videos (Gelo, 2008). The qualitative research approach considers reality to be a product of psychological and social activities. Consequently, analytical strategies are left to the discretion of the researcher in qualitative research (Mehmetoglu, 2004). Despite the apparently non-tangible methods of qualitative research, there are two different perspectives of qualitative research that allow it to draw objective conclusions on subjective phenomena, namely data processing and data transformation (Mehmetoglu, 2004).

Data processing in qualitative research involves a variety of skills that include data manipulation, retrieval, sorting, indexing, and coding (Mehmetoglu, 2004). Friese, (2012)

highlights that these means of data processing may be achieved via software or manual deduction. The researcher first uses secondary data processing before transforming the data via arbitrary interpretation (Mehmetoglu, 2004). Unfortunately, standard data transformation and processing methods are not fixed, with the researcher free to choose from several different methods (Mehmetoglu, 2004; Yin, 2015). Qualitative research methods are most appropriate for CSR reporting studies, given the nature of the method to derive overall meaning from constituent properties of an entity (Gelo, 2008).

In contrast, quantitative research is heavily dependent on numbers and statistics and determines how much of an entity there is. Quantitative research translates social phenomena into numerical values for statistical analysis and have long dominated the research domain as measurable parameters are thought to offer scientific credibility over the unmeasurable. However, psychologists of the 1960s sought to overturn this dogma by proposing that a human being is best understood using naturalistic and contextual-based qualitative methods (Gelo, 2008). In this study, qualitative study allows the researcher to gain insight as to why MNCs report CSRs in a particular way and the subtle nuances underlying how these reports are written and what they contain. Conversely, this research method enables CSR reports to be interpreted in the context of societal norms of Malaysia.

3.5 Exploratory analysis

Groenewald (2004) defines research design as the master plan for the methods and proceedings for data collation and analysis. The research design's purpose is to set out the protocols for each aspect of any given research project, starting from the definition of the problem up to the final analysis. Kothari (2004) states that research design would typically consider essential factors that include but are not limited to the following factors surrounding the problem, which are objective, nature, and information extraction methods.

Hussey and Hussey (1997) states that studies that have limited information availability should be evaluated via exploratory analysis, which will allow for more unbiased observation and understanding of a particular topic. Due to the lack of published literature on the CSR practices of MNCs operating in Malaysia, this paper utilised the exploratory approach in scrutinising the CSR reports. Exploratory research provides a suitable approach for studying a continuously evolving problem that does not yet have a clear definition. Exploratory research designs grant the researcher flexibility in changing the direction of the research based on the discovery of new data and insights. In other words, exploratory research methods provide an alternative means to understand the world via the provision of new approaches, angles, and counter-hegemonic alternatives to the other means of explaining the world. This is typically done via applying new

concepts, theories, words, hypotheses, and explanations to reality with a view of unearthing new perspectives on how a particular segment of reality works and its structural framework.

Like confirmatory research, exploratory research starts with an explicit theory. An *a-priori* theory and hypothesis are required as an initial step for both exploratory and inductive research, as opposed to grounded theorising. However, exploratory research differs from deductive research in its second step, where it demands a critical treatment and justification from the initial choice over others and explores how the situation and positionality of the researcher would impact this initial theorising.

The exploratory research's process of "Making sense" of a phenomenon is akin to a learning process due to its gradual nature and thus, it is characterised by inductively reformulating, reframing, and adapting theories, explanations and initial hypotheses. Comparable to deductive research, it starts with previously formulated theories. However, it diverges via its continuous use of empirical data to adapt, specify, reformulate and refine theories and initial hypotheses. This process happens until the observation is clear to the observer and thus could be better explained in a more consistent and plausible manner.

There have been studies focused on web-based reporting e.g., Lodhia (2006) and Morhardt (2009) given the increasing propensity of organisations to carry out CSR reporting electronically on their websites. There are also studies that avoid internet-based and electronic-based material e.g. Vormedal and Ruud (2009) based on the view that paper-based reports are more permanent compared to information posted online which could be amended or deleted. Lodhia (2006) indicates a need to progress beyond analysing website information in order to have a deeper understanding of such reports. The materials that this thesis analyses are largely text-based and based on publicly available reports and publications. When analysing text via thematic analysis, a researcher may assume that issues more significant to the decision-makers would be repeated more often and be granted more content space in the published CSR report.

3.6   Multi-theory framework

This study employs a multi-theory framework in deriving meaning from the CSR reports. The two methods used are stakeholder analysis and thematic analysis. Stakeholder analysis is appropriate in the study of corporations as it revolves around identifying individuals, groups, and organisations who influence the corporate direction and decision-making processes (Brugha & Varvasovsky, 2000). On the other hand, thematic analysis is a systematic means of identifying, organising, and interpreting patterns of meaning across specified data sets. Braun and Clarke (2013) document the use of thematic analysis in health and social science studies dating back to the 1990s(Braun and Clarke, 2013).

3.6.1 Stakeholder analysis

The origin of stakeholder analysis lies in policy and political sciences and in management theory. It represents a systematic way of labelling relevant players in the corporate landscape. Identifying these key figures allows an observer to extract information from their behaviours, affiliations, and agendas, which then translates to the ability to predict the direction of a corporation and in uncovering nuances in the processes of their actions (Brugha & Varvasovsky, 2000). This research uses stakeholder analysis in order to identify key players using the Mendelow matrix; a detailed description of the process is elaborated below.

Grid A, the top left corner of the grid is populated by stakeholders who are weak in both their ability to influence the organisation's activity and their interest in the organisation's affairs. Parties in this Grid would only require minimal effort from the organisation to address. A typical example of a party in Grid A is the customer. A typical customer usually has no power over the activities of the organisation, unless they are a substantial purchaser or multiple customers collectively organise against the company's activities. Customers would also be less interested in the machinations of the company, as long as they are able to obtain their goods and services from the company, when required.

Grid B contains parties with low levels of influence on the company but high-level of interest in its activities. These parties, although individually may not influence the decisions of the company, their keen interest in the company's strategies might drive them to influence other more powerful stakeholders of the organisation. Given this, companies would do well to keep these parties at least well informed of decisions or strategies. An example of such stakeholders is the employee; an employee would have a strong interest in the decisions of the company as they may have a direct impact on their job security, remunerations, or any other benefits. However, the individual employees would have low power to influence any business strategy of the organisation.

Grid C would contain parties that have a strong power over the organisation but do not have strong interest in its activities unless necessary. Parties in Grid C would have to be treated with caution and kept satisfied, as any development of an interest in a company's activities or strategies might compel them to utilise their powers to influence decisions. An example of parties under Grid C would be the Government. Governments possess a strong power over the company via things such as regulations. However, the Government typically would not take an interest or interfere in the affairs of the business unless compelled to act, such as in issues regarding environmental protection and anti-trust.

Grid D contains the key players of the organisation, as these parties would have both a strong interest in the business and the corresponding power to influence its operations. Businesses

should pay close attention to the requirements of these key players and ensure that decisions are at the very least acceptable to them as any withdrawal of support from these parties would be detrimental to the business. Examples of high-power and high-interest parties would include the main shareholders or investors in a business. They would have a strong, aligned interest in the company's strategy and success, and their displeasure or exit might cause significant problems to a company, especially if they still rely on the investors for funding.

Figure 3.1

An illustration of stakeholder mapping based on Mendelow's framework taken from ACCA Global (2018)
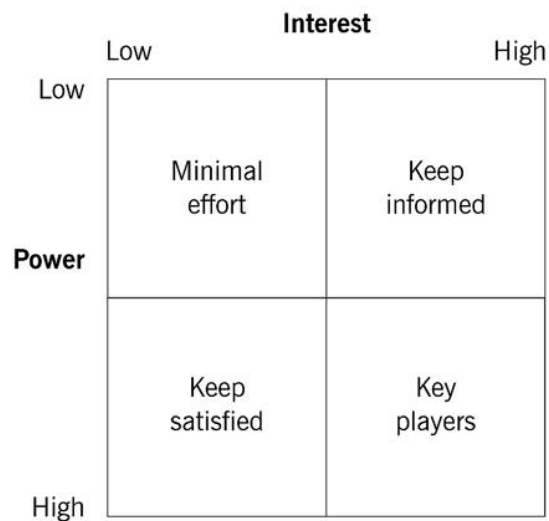
3.6.2   Thematic analysis

With thematic analysis, common methods of communicating recurring topics in a certain data set are dissected in order to allow the researcher to extract subjective meaning from objective information (Braun and Clarke, 2013). Through this method, factors that shape, underline, and contextualise selected phenomena are extrapolated to determine views on certain concepts. The current study on Malaysian CSR practices was therefore dissected using thematic analysis as this analysis is well-suited in documenting both concrete and explicit meanings.

Braun and Clarke (2013) highlight the usefulness of reflexive thematic analysis where the researcher undertakes an active role in synthesising new concepts. The subjective limitations of a researcher's understanding of any given dataset preclude a completely objective and accurate assessment. Therefore, the codes and themes attained during thematic analysis are the product of a narrative that the researcher weaves in order to present a compelling and coherent story of the data. Braun and Clarke (2013) argue that thematic analysis is rife with cultural, social, and scholarly nuances that are specific to each researcher's circumstances. Braun and Clarke (2013) recommend the use of a six-step approach to thematic analysis.

Step 1: Data familiarisation

A total of three MNCs who had their CSR reports publicly available on their respective online websites were read thoroughly with notes taken on preliminary observations. This step also allowed the researcher to determine the first two subsidiary questions of the content and method of CSR reporting by MNCs in Malaysia. Thematic analysis comprises six steps, and the first phase involves focussed and active reading of the data Braun and Clarke (2013). This is when the researcher needs to take in account the research question, initial patterns and inscribe preliminary notions regarding the data.

Step 2: Coding generation

Content for each company was analysed to find the appropriate codes. Statements were read & patterns identified. The purpose was to identify patterns regarding how the selected CSR reports are written, with a focus on recurring topics relevant to the research question selected.

Step 3: Theme generation

Themes were generated from the clustering of similarity evoking codes. This step involved careful clustering of the codes to make a coherent thematic overview. Major and minor themes may emerge from the clustering of the different codes.

Step 4: Theme review

Themes generated in the previous steps were reviewed in this step in the context of the research questions. Themes reviewed include inclusion or exclusion based on their relevance to the study. The basic purpose of the theme review is to further classify and declassify the themes in the context of the research questions being asked.

Step 5: Theme identification

Themes were further developed and defined in this step to gain a comprehensive understanding of the major methods on how CSR reporting is used by the three MNCs to communicate with the stakeholders.

Step 6: Theme analysis

This is the final step where thematic analysis was carried out with the aim of more thorough data interpretation in relation to the research question at hand.

All these steps were carried out sequentially for the three MNCs in Malaysia.

3.7   Rationale behind sample selection

CSR reporting and annual reports are traditionally the only means of how companies communicate with the public regarding their fiscal and non-financial activities. Likewise, a majority of CSR reporting of MNCs in Malaysia is published as qualitative statements in their

annual reports. 'Stand-alone' CSR reports are rarely published by MNCs operating in Malaysia. CSR disclosures are usually conveniently inserted as notes in the financial statement, the chairperson's address to the shareholders and other stakeholders, and in the director's report. Publications on company websites typically mirror information already disclosed in their annual reports. Web-based content by these companies was largely unsuitable for content analysis given the difficulty in discerning when the information was published or updated (Michelon & Parbonetti, 2010).

Three MNCs operating in Malaysia were selected for this research. They were: Nestle (Malaysia) Berhad (a food & dairy based drink company), Allianz (Malaysia) Berhad (a financial holding company), and Heineken (M) Bhd (an alcoholic- and non-alcoholic beverage manufacturer). These three companies were selected given that they all published independent CSR reports. Only three were selected as a small sample size is usually reflective of a typical interpretive study (Solomon & Maroun, 2012). The selection of the three companies follows a purposive sampling; a qualitative research technique used to identify and select samples which best fit the purpose of the research (Merriam, 2009). The three companies selected are subsidiaries of their parent European-based corporate headquarters. Furthermore, these companies are Bursa Malaysia-listed corporations and are therefore subject to the Listing Requirements of Bursa that mandates all public-listed companies to publish annual reports.

Table 3.1

An example of selection progress of MNCs operating in Malaysia against the availability of their CSR reports

Companies	CSR reports
Starbucks	x
Mcdonalds	x
Samsung	x
Shell	✓
Citibank	x
Heineken	✓
7-11	x
Subway	x
Nestle	✓
Allianz	✓
Siemens	x

3.7.1.1 Nestle

Nestle is a global, multinational, food and beverage company whose headquarters are based in Switzerland. Nestle has a presence in over 189 countries and comprises more than 2000 subsidiary brands and products, which encompass household staples such as cooking oil, baby formula, and breakfast cereal. With its slogan of "Good food, Good life," Nestle focuses on its company image as a wholesome company that seeks to improve consumer quality of life. Nestle's business statement of 'Nutrition, Health, and Wellness' reflects their core business values (Ali et al., 2009)

Nestle began operations in Penang, Malaysia, in 1912 and later expanded to Kuala Lumpur in 1939. With Malaysia's independence in 1957 and the need for employment and more demands for products, Nestle Malaysia began their Culinary Products Division producing the well –loved MAGGI trademark. Presently, Nestle has 6 factories, more than 5000 full-time employees all over Malaysia, and has produced 500 *halal*-certified products. Their products have become part and parcel of Malaysian household's grocery items, with favourites being household names of Milo, Maggi, Nescafe, and KitKat.

Nestle implements a Creating Shared Value approach to business which is in line with their mission of supporting local agricultural industries. This approach locally sources raw materials such as palm oil, milk, and raw cocoa needed to create their products from over 65,000 farmers around the world. Through this approach, Nestle achieves dual goals of contributing to local communities while simultaneously creating shareholder value.

3.7.1.2 Heineken

Heineken is a global Dutch multinational corporation established in Amsterdam in 1873. Since then, the company continued to grow through acquisitions and expansions starting across Western Europe and Africa, then towards Eastern and Central Europe. Later, Heineken expanded its brewery portfolio even more through acquisitions made in Nigeria, Ethiopia, Mexico, and Brazil between 2008 and 2011. In 2017, Heineken launched a new product known as "Heineken 0.0" which the first non-alcoholic beer was marketed by the company.

Heineken Malaysia Berhad, which is a subsidiary of Heineken N.V., was first incorporated as Guinness Malaysia Limited in 1964. Like its parent company, Heineken Malaysia Berhad brews, packages, and distributes alcoholic and non-alcoholic products, namely beer and stout. As the Heineken acquisition list is extensive, the beverages are marketed and sold under various brands under Heineken's belt. The company principally operates in Malaysia and also exports its products to Southeast Asian countries. Since the start of its operation, Heineken Malaysia has been operating in a brewery known as Sungei Way Brewer, located in Selangor, Malaysia. This

brewery handles both the domestic and international production demands of all major beer brands of the company. Heineken Malaysia appears to be the only brewery in Malaysia certified by the Ministry of Health Malaysia and awarded the Hazard Analysis Critical Control Point (HACCP).

3.7.1.3   Allianz

Allianz is a multinational insurance company with its headquarters located in Munich, Germany. Allianz Malaysia is the leading general and life insurance company in Malaysia. The company's main operation is located in the capital of Malaysia, Kuala Lumpur, with over 500 employees throughout the country. Allianz has been carrying out its CSR activities under their "Allianz4Good" (AZ4G) department. AZ4G is a strategic approach in creating a corporate culture in which social and environmental challenges are managed as opportunities for ensuring our sustainable success as a company.

3.8   Conclusion

Upon identification of these three MNCs, the process of data collection and analysis began, which is explained in the next chapter on results and findings. The next step to the sample selection was to begin the process of thematic analysis. As mentioned earlier in this chapter, Braun and Clarke (2013) six-step process to thematic analysis was implemented. According to Braun and Clarke (2013), thematic analysis begins by getting familiar with the research data and selecting relevant phrases to the research question. The process follows by formulating descriptive codes from those phrases. The themes were then picked out and interpreted across the data set before further data definition and presentation. With that, we move on to the fourth chapter on study results and findings.

Chapter 4   Results and Findings

4.1   Introduction

This chapter explains the results and findings of this research. The purpose of this study is to present the findings on how MNCs in Malaysia use CSR reports to communicate with stakeholders based on Braun and Clarke (2013) thematic analysis. More specifically, the results presented show the themes extracted from a method known as coding. The research also sought to identify the stakeholders, along with their respective power and interest in each respective organisation, and how CSR reports may influence stakeholder legitimacy. This was done by reviewing the CSR reports from three major multinational companies from different industry sectors in Malaysia — Nestle, Heineken and Allianz — in order to investigate the contents of their reports.

4.2   Data familiarisation

Braun and Clarke's (2013) six-step process to thematic analysis was adopted when analysing the CSR reports. Prior to embarking on this research method, the researcher has to be familiar with the data at hand. The next step is proper phrasing of the research question, followed by formation of descriptive codes, and identification of themes in the dataset prior to defining and presenting the theme (Braun and Clarke, 2013). This study uses inductive approach to thematic analysis whereby the data determined the codes and themes (Braun and Clarke, 2013). This differs to a deductive approach, where themes are preconceived based on existing studies. To differentiate this study from others who based their codes on Sustainability tool kit issued by Bursa Malaysia, this research derives the codes and themes from the CSR report of the three selected MNCs.   How the data from the reports was analysed through these stages will be presented in the following sections.

Data familiarisation began with the researcher going through the 2019 CSR reports of the three MNCs selected and reading through them thoroughly several times in order to identify common phrases, topics or sections that are relevant to the research questions. The overall contents of the CSR reports were broken down and applied to Table 4.1. The table was developed through reviewing each report and identifying the similarity and difference factors in the reports. Examples of factors highlighted in this process is the number of pages of the reports, stakeholders identified, focused topics, and reading levels. These factors are picked out as they are relevant to the research topics in providing a better understanding of the contents of the reports and how they may be important to stakeholders. All the 3 CSR reports had more than 50 pages i.e. ranging from 60-140 pages with in depth descriptions of the various CSR initiatives and spending. The reports are primarily written in English with some specific Malay slogans

such as "suku-suku separuh" found in Nestle's report and 'Allianz Kampungku' in Allianz's report. All three reports adhered to international CSR reporting guidelines proposed by OECD and GRII and are audited by Price Waterhouse. Outlined below is a brief description of how the reports come about, the content of each and visual examples of the content for further clarification.

The three CSR reports from Nestle, Heineken and Allianz are published as part of the respective company's CSR reporting. Heineken and Allianz CSR reports are also presented as part of the Annual Reports, whilst Nestle has their own dedicated CSR reporting measure known as Nestle In-Society Report. CSR reports are usually published in digital format for easy distribution, but a hardcopy can be provided to stakeholders in person. Each report began with a brief introduction of the company followed by the chairman and CEO's letter as well as profiles of senior management. Given that the report needs to attract the attention of readers, all three reports contain visually appealing content with clear colour graphics and good slogans for each CSR activities. Taking Nestle CSR report as an example, the slogan "Nestle for Healthier Kids" is accompanied by pictures of various activities held to encourage the adoption of healthier and more active lifestyles among youths. In the case of Heineken, the slogan "When you drink, never drive" is accompanied by clear graphics, which perfectly highlights its safe drinking campaign. Similarly, with Allianz, the slogan for the financial literacy campaign "Allianz Financial Literacy Programme" emphasises developing financial literacy in teachers in order to nurture wider financial literacy awareness among the young. The list of pages containing activities and campaigns varied between companies and with different titles.

It can also be said that all three reports have an approximately similar length. A Flesch-Kincaid reading ease was performed on all reports to test the difficulty of the passage. A score of 30 – 1 suggest a postgraduate level of reading required to comprehend the report. All reports had similar readability levels, sitting on the "very difficult" reading score. The reports were, however, well-written, with the majority of the written language being in English. Some Malay words and sentences were used with the clear intention of staying relevant to local Malaysian culture. All reports highlighted details of their company's targeted sectors and stakeholders, while also clearly stating that the published reports adhered to international guidelines and CSR practices. With regards to content, all CSR reports listed out tables of content (whose overarching headings closely resemble each other) that covered areas of the company's CSR purpose, stakeholders, performance review, CSR activities, and accolades. As for visual images, most of them are product placements, campaigns as well as community outreach programmes. All three CSR reports are published digitally and are accessible online through their main website under different headings.

Table 4.1 shows the process of data familiarisation that was done through breaking down the reports and identifying similar and different factors. The list of factors provides a detailed explanation in order to explore how each company presents its' CSR reports. This includes the number of pages of the reports, readability, focused topics, and stakeholders identified. This method in data familiarisation is in accordance with the first step of thematic analysis..

Table 4.1

Example of the data familiarisation table

Factors	Nestle	Heineken	Allianz
Number of pages (i.e how long is the report)	148 pages	154 pages	68 pages
Flesch Reading Ease (i.e is it readable?)	26.8	28.1	27.5
Targeted sectors (i.e what are their sectors? what are the products?)	Food manufacturing. The biggest products distributed are Milo, Nescafe and Maggie. For example, Milo trunks in local government schools has been made the quintessential 'Malaysian school experience'.	Brewery. Biggest product distributed is the Tiger beer. Known as the 'uniquely asian beer', Tiger supports Malaysia's vibrant street food scene with the Tiger Street Food platform, bringing the best of Malaysian street food and raising the profile of its creators.	Insurance (life and general insurance). Largest General insurance company and largest auto insurance sector in Malaysia.

(Review Appendix. A for the full data familiarisation table)

4.3 Creating codes

The second step of thematic content analysis was the identification of codes. Coding was performed manually after multiple readings of each CSR report and identification of key points in each chapter. Codes from the CSR reports were identified based on the topics of the reports in terms of their description length and emphasis as a rationale for coding, while also taking into account their assumed target audience. All three CSR reports from the three selected MNCs were analysed the same way. Code identification provides an understanding of the rationales underlying specific CSR practices as well as the target stakeholders. Topics such as profiles on management teams, contribution to schools, cultural festivals and halal production were identified as codes due to the emphasis in the reports. Heinken's reports include two pages on their management team, while Nestle has a four page write up on their commitment to Halal production. Another code present in the three companies are codes on graduate programmes where the companies highlight their commitment to fostering the talents of young professionals.

The code of responsible drinking was emphasised in Heineken's report, focusing on not promoting a drinking culture.

Tables (4.2), (4.3), (4.4), (4.5) show in detail the process of identifying codes.

4.4 Creating themes

This phase of the analysis will explore how themes were generated from codes that were. The codes were reviewed and classified into themes based on similar patterns and ideas that came up repeatedly. In addition, the three additional questions were also taken into consideration when clustering the codes together to form themes. According to Braun and Clarke (2014), a theme captures something important about the data in relation to the research question and represents some level of patterned response or meaning within the data set.

The last step of the six-step process of thematic content analysis was defining, naming, and presenting the themes. It was during these steps that the story of the research was crafted by selecting the most relevant and important data when presenting the themes so that the narrative clearly answers the research question (Braun and Clarke., 2014). During this process, five main themes were generated out of the minor themes from the analysis of all the CSR reports. There were 14 minor themes in total that were similar across all the reports. The main themes were generated from reviewing the minor themes that are useful and which provide accurate representation of the data. Thus, comparing the minor themes to each other was an important step in finding the main themes. Afterwards, the researcher looked into the minor themes to see if there were any problems or lack of content. Relevant minor themes with little content were then combined with other relevant themes to form a single main theme. From this process, five main themes were generated which are culture, philanthropy, youth, future development and corporate identity.

The coding that referred to monetary contributions created the theme 'Philanthropy'. The coding that referred to youth engagement, development generated the theme 'Youth'. The coding that referred to innovation, infrastructure development and preservation efforts explains the theme 'Future Development'. The code which relates to cultural activities, celebration, and religion made up the theme 'Cultural Mediation.' Codes related to internal and external governing guidelines, policies, and management team made up the code 'Corporate Identity.' Identification of these codes were necessary in answering the research questions with regards to the CSR reports used to communicate to the stakeholders.

4.4.1 Heineken

Listing out the topics and the rationales behind them allowed the researcher to identify repeating patterns, and to thereon cluster them as a single theme. One example is 'Corporate Identity,'

which was formed by grouping two similar codes of 'Governance' and 'Heineken Malaysia Star Academy'. The inclusion of foreign nationals, mostly from western nations, could be seen as a means to showcase the multinationalism of the company. Both codes contain similar patterns in terms of pandering to the company's image and branding. Next, the theme 'Culture Mediation' was generated from two codes that shared similar patterns, first being the English enrichment training programmes to Chinese communities as well as donations of media budget to promote responsible consumption catering to Malaysian community.

Another theme clearly highlighted through pages of the report was 'Environmental Preservation'. Heineken Malaysia established a campaign dubbed as 'Brewing a Better World,' which was launched to monitor the company's consumption of natural resources in order to reach certain set targets as well as to attenuate the company's carbon footprint by reducing carbon emissions and recycling returnable packages. 'Youth' was also a predominant theme heavily featured in Heineken's CSR report, as seen by the 'Asia Pacific Graduate Programme'. This programme was launched to attract young talents to be absorbed into the company and allows graduates from local universities to develop skills and knowledge through a two-year rotational programme.

Table 4.2 shows the breakdown of the codes, the rationale behind it, assumed target audience, and the minor themes generated based on similar patterns. The codes listed were identified as topics in the Heineken CSR report. Themes are generated through similarities in the rationales and assumed target audience behind the codes. Repeated themes in the table highlight similar patterns in the codes.

Table 4.2

Heineken: Corporate topics, rationales, assumed target audience and minor themes

No.	Codes	Rationales	Assumed Target Audience	Minor Themes
1	Governance	Heineken as a brand that values diversity and multi-ethnicity in its leadership. This is evidenced by the relatively equal representation of Malaysians and foreigners. There is also an equal gender ratio among its senior management. Heineken aims to foster a sense of shared purpose and an 'all hands on deck' attitude.	Shareholder/Investors/ Government	Corporate identity
2	Healthy working environment	Implementation of 'HeiRules' (Heineken Code of Business Conduct & Heineken Rules) that serve to encourage business integrity. Speak Up - a global Heineken initiative serves as a means to allow employees and stakeholders to report misconduct in a discreet manner.	Parent company; Employees	Business ethics
3	Heineken Supplier Code	Heineken requires its suppliers to abide by the Heineken Supplier Code which aims to prevent child labour and bribery.	Parent company/Investors/ Government; Community	Human rights
4	Heineken Malaysia Star Academy	Heineken runs several bartending training programs aimed at elevating the level of professionalism in bartenders around the country. Improved standards therefore improve Heineken's corporate identity.	Bar owners/ Parent company	Corporate identity/ Partnership / Youth Development
5	Asia Pacific Graduate Programme	Heineken invests in young talent further education through its Asia Pacific Graduate Programme.	Community	Youth Development

No.	Codes	Rationales	Assumed Target Audience	Minor Themes
6	Ethical Marketing	Heineken adheres to a Responsible Marketing Code which is aimed at safe and appropriate marketing of their alcoholic beverages.	Community	Business Ethics
7	Tiger Beer (The Truly Asian Beer)	Heineken spends 10% of its media budget annually on promoting moderation and responsible consumption	Malaysian community	Cultural mediation
8	Language Education	Heineken contributes towards promoting English Language education amongst the rural communities as evidenced by the formation of its English Enrichment Training Programme.	Chinese communities and shareholders	Cultural mediation
9	Financial expenditure	A corporation is accountable for total expenditure on each project spent	Government	Future development
10	United Nation Sustainability Goals	HEINEKEN Global sustainability strategy: Brewing a Better World (BaBW) focuses on supporting eight out of 17 of the United Nations Sustainable Development Goals, mainly (UN SDG) 6, 7, 12, 13 and 15	Government; shareholders	United Nations Sustainability Goals
11	Sustainability Governance	A sustainable governance committee is created to maintain accountability and oversight. This committee highlights goals and curates strategies to achieve these goals.	Shareholders/ Parent Company/ Government	Sustainability / Accountability
12	Environmental preservation	Heineken has in place a 'Brewing a Better World' sustainability strategy which targets responsible usage of natural resources such as water. This strategy also involves reducing carbon dioxide emissions, recycling and returnable packaging.	Shareholder; Parent company /Government	Environmental preservation

4.4.2   Nestle

Nestle's themes were also generated from a cluster of codes derived from the topics and assumed target audience found in the annual CSR reports. Based on the report, there are 15 topics. Hence, 15 codes were generated and analysed to determine similar patterns based on the rationale and targeted audience that can be generated as one theme.

One example is the 'Healthy Working Environment' code which refers to Nestle maintaining strong business ethics and integrity by encouraging workers to report inappropriate behaviour. Similarly, under the 'Ethical Marketing' code, Nestle adheres to strict policy marketing on children where a safe online environment is practised as well as supporting breastfeeding, and markets breast-milk substitute responsibly. Based on the ethical approach in the workplace, both of these codes are combined under one theme which is 'Business Ethics' as they highlight the company's commitment to upholding proper, ethical business standards.

Additionally, Nestle also has a very active research and development department that actively involves itself in the other topic highlighted in the CSR report, which is Food Research. Nestle is heavily involved in the research for more holistic product formulation for its consumers. These codes are generated under the theme Future Development. Next, *halal* (Islamic law-compliant) production was also a topic identified from the CSR report. Nestle Malaysia, being based in a Muslim-majority country, has *halal*-certified their products to ensure consumer satisfaction. Based on this, the theme generated for these codes is 'Cultural Mediation.' Another code extracted from Nestle Malaysia's report is 'Rural Development'. Malaysia has a number of rural agricultural communities that Nestle relies on for the production of their raw materials for their products. Hence, the company has ensured a good working relationship directly with the farmers and has helped in ensuring the farmers' health and safety while improving their agribusiness. The theme generated is 'Rural Development.'

Nestle codes, rationale and assumed target audience as well as minor themes generated from the report are broken down and listed in detail in Table 4.3 below. The codes are topics taken from the annual report. The rationale provides context to the codes and CSR practices related to it. The assumed target audience explains the target audience of these practices. From here, the minor themes are then generated based on similar patterns in the codes derived from rationale and assumed target audience—repeated themes in the table highlight similar coding patterns.

Table 4.3

Nestle: Corporate topics, rationales, assumed target audience and minor themes

No.	Codes	Rationales	Assumed Target Audience	Minor Themes
1	Governance	A clear presentation of how a corporation is managerially structured is crucial in ensuring that it is run efficiently. This increases the confidence of the stakeholders in the company. Nestle also provides a detailed breakdown on the roles of each Board Member and topics discussed during board meetings.	Shareholder/Investors	Corporate Identity
2	Healthy working environment	Nestle maintains a strong culture of business ethics and integrity by encouraging employees and external stakeholders to report inappropriate or illegal behaviour. Nestle also protects employees' health and safety in the workplace.	Stakeholder; Employees	Business Ethics
3	Providing nutritional information and portion guidance	Nestle bears the responsibility of communicating their product content in a transparent and easily understood manner.	Consumers	Accountability
4	Ethical Marketing	Nestle strictly adheres to its Policy on Marketing Communication to Children, one of the strictest of its kind in the industry. Nestle also partners with global companies to ensure safe online environments. Nestle is also committed to supporting breastfeeding, and markets breast-milk substitutes responsibly.	Consumers; Non-governmental organisations; Government	Business Ethics
5	Health-promoting activities	Nestle works with retailers, manufacturers, non-governmental organisations and stakeholders in running programs aimed at fostering a healthy food environment.	Consumers; Non-governmental organizations	NGO Collaboration

No.	Codes	Rationales	Assumed Target Audience	Minor Themes
6	Food research	Nestle is actively involved in research and development programs targeted at formulating more holistic products for consumers.	Consumers; Stakeholders	Innovation Development
7	Halal Productions	As a food & beverage corporation in a Muslim-majority country, being Halal certified is critical in ensuring that consumers continue to buy their products.	Consumers; Government	Cultural mediation
8	Nutrition	Nestle brands itself as a wholesome and healthy F&B corporation. It strives in manufacturing healthy food options with specific focus on reducing sugars, increasing micronutrient content and cutting down on unnecessary food additives.	Consumers	Health
9	Nestle YOUth initiative	Nestle focuses on providing and supporting youth with employment opportunities and career-enhancing skills	Consumers	Youth Development
10	Accessibility to Food	Nestle partners with several non-governmental organizations to provide food to the lower socioeconomic group with emphasis on farming regions which supply raw material to Nestle.	Consumers; Non-governmental Organisations	Investors and government collaboration
11	Milo in Schools	Milo is a quintessential Malaysian drink that is produced by Nestle. In order to boost community support for this product, Nestle frequently brings Milo into local schools and regional events.	Consumers	Youth

No.	Codes	Rationales	Assumed Target Audience	Minor Themes
12	Environmental Preservation	Corporations are accountable for their environmental footprint. Nestle tackles this by investigating alternative materials and delivery systems. Preserving water resources is also an area that is targeted by the company.	Community; Government	Environmental preservation
13	Rural Development	Nestle relies heavily on agricultural produce. Therefore, maintaining good working relationships with farmers is essential in ensuring consistent supply of good quality produce. Nestle works directly with farmers to improve farming skills and agripreneurship.	Rural community; Government	Rural Development
14	Raw material sourcing	Nestle strives to ethically source all its raw materials and works with partners to ensure that no human or animal rights were abused in the supply chain.	Community/Government	Human Rights
15	Protecting workers and children	Nestle is actively involved in improving their workers' livelihoods and in protecting children who are involved in the supply chain	Community/Government	Business Ethics

4.4.3 Allianz

Selected topics listed in the annual report were grouped as codes. Based on the Allianz CSR report, 14 codes were extracted, and 9 minor themes were generated from it.

One of the themes selected is 'Business Ethics'. Codes that were clustered together to merge into this theme were 'Cyber Risk', 'Ethical Marketing,' and 'Customer Satisfaction'. The reason why these codes were merged into the 'Business Ethics' theme was that they shared similar elements in terms of Allianz implementing appropriate policies and practices to address potentially controversial subjects. Taking the 'Cyber Risk' code as an example, Allianz Malaysia emphasises the importance of cybersecurity within its company due to the amount of personal data collected and stored within its database. With regards to 'Ethical Marketing', Allianz established a code of conduct for agents to practice ethics in selling. As for 'Customer Satisfaction', the 'Customer Service Institute' and 'Allianz Contact Center' were developed to ensure that excellent customer service is provided. Moreover, the code 'Fair Employment Practice' was listed under the 'Human Rights' theme because Allianz takes into account diversity and inclusion in its workforce. The other code that is seen in Allianz Malaysia's CSR report is the 'Financial Literacy Programme.' This programme aims to increase the financial literacy amongst youth and the rural communities in order to raise the aforementioned communities' awareness on finances and savings, in the hopes of increasing the insurance purchasing power of these communities. This is linked to the theme of 'Education.'

Table 4.4 shows the breakdown of the codes, the rationale behind it, assumed target audience, and the minor themes generated based on similar patterns. The codes listed were identified as topics in the Allianz CSR report. Themes are generated through similarities in the rationales and assumed target audience behind the codes. Repeated themes in the table highlight similar patterns in the codes.

Table 4.4

Allianz: Corporate topics, rationales, assumed target audience and minor themes

No.	Codes	Rationales	Assumed Target Audience	Minor Themes
1	Governance	A clear presentation of how a corporation is managerially structured is crucial in ensuring that it is run efficiently. This increases the confidence of the stakeholders in the company	Shareholders/Investor	Corporate Identity
2	Cyber Risk	Cybersecurity is a critical issue for insurance companies given the monumental collection of personal data that these institutions store.	Stakeholders; Malaysian community; Government	Business ethics
3	Ethical Marketing	Allianz strives to maintain stringent enforcement of policies in an ethical and transparent manner. Some of these policies include Allianz Group Code of Conduct for Business Ethics and Compliance. Agents are trained in principles of ethical selling.	Consumers	Business ethics
4	Alliance Young Board Programme and Management Associate Program	Allianz is committed to nurturing young talent through programmes designed to develop future leaders in the field.	Community	Education
5	Customer satisfaction	Allianz aims to provide simplified and excellent customer service in the form of its Customer Service Institute and Allianz Contact Center. Complaint processing times are taken seriously.	Consumers	Business ethics

No.	Codes	Rationales	Assumed Target Audience	Minor Themes
6	Fair Employment Practices	Allianz emphasizes diversity and inclusion in its workforce through its policy of Allianz Renewal Agenda. Company progress is measured through an Inclusive Meritocracy Index.	Community; ;Employers	Human Rights
7	Technological and business Innovation	Insurance as a consumer-based product relies heavily on customer satisfaction. In order to stay relevant in the competitive market of insurance, Allianz has to continuously innovate their insurance plans. Allianz also focuses on innovating their digital platforms to serve a wider group of people.	Consumers; Banks	Innovation/ Infrastructure development
8	Rural Development	Allianz aims to enhance insurance coverage amongst the rural population.	Shareholders; Stakeholders; Non-governmental Organizations; Government	Rural development
9	Financial Literacy Program	Allianz aims to increase financial literacy amongst youth and the rural communities as evidenced by the formation of The Allianz Financial Literacy Program. Increased awareness may lead to a wider network of individuals which purchase insurance	Community; Stakeholders	Education
10	Allianz Junior Football Camp League	Initiative aimed at giving back to the community and to support development of talented youth	Community	Youth

No.	Codes	Rationales	Assumed Target Audience	Minor Themes
11	Environmental preservation	Allianz plays its part in preserving the environment by ceasing financing for predominantly coal-based businesses and has instead invested in the renewable energy sector. It also offers its SolarPro All Risk PV Insurance which caters towards home, commercial and industrial solar photovoltaic systems, thereby supporting more widespread use of solar energy	Community	Environmental preservation
12	Integrated sustainability	Allianz creates insurance products catering towards environmental, social and governance aspects, thereby offering sustainable solutions which cover consumers from all walks of life. One example is its Allianz Kasih Hayat life insurance plan with guaranteed renewability which covers low income consumers.	Community; Stakeholders	Future Development
13	Safety Outreach Programs	Allianz partners with local governing bodies to advocate safe road behaviour. The company also runs Road Safety Education Programmes targeted towards primary school-aged children.	Community; Government	Education
14	Disaster Risk Reduction	Allianz engages with the Malaysia International Search and Rescue organization to conduct fire safety and flood preparedness programmes. MISAR has also been the recipient of grants for research and development of a disaster relief capsule prototype.	Government	NGO Collaboration

4.5   Clustering themes

The themes were then clustered to form major themes. The common themes identified in all three reports were corporate identity, culture mediation, investor and government collaboration, future development, Education, Youth, Business ethics and Accountability. Other themes such as United Nations Sustainability goals, Human rights, Non-governmental collaboration, and health are also present in only one or two of the reports. This is due to the nature of corporations. For example, a theme for Nestle is Health as it is a food manufacturing company that aligns itself with providing nutritional food to the community. Allianz, an insurance company, does not place nutritional values as its priority. Themes identified were then grouped together to form major themes as presented in the following section.

Table 4.5 outlines a summary of how the main themes were generated. Listed are the aforementioned 14 minor themes that were derived from CSR report analysis. The markings on the organisation table show the presence of the respective theme in each report. This provides an accurate representation of data based on the relevance of the theme to the organisation. The major themes were further grouped in table 4.6. and will be discussed in the presentation of themes.

Table 4.5

Summary of Minor Themes

Themes	Organisations		
	Heineken	Nestle	Allianz
Brand Identity	x	x	x
Cultural Mediation	x	x	x
Investors and Government Collaboration	x	x	x
Infrastructure Development	x	x	x
Education	x	x	x
Youth Development	x	x	x
Health		x	
NGO Collaboration		x	x
Environmental preservation	x	x	x
United Nations Sustainability Goals	x		x
Business Ethics	x	x	x
Accountability	x	x	x
Human Rights		x	x
Rural Development		x	x
Future Development	x	x	x

*x boxes indicate presence of respective theme demonstrated by respective company

4.6   Presentation of themes

The major themes identified are philanthropy, youth, culture, future development and corporate identity. This was done through grouping minor themes with commonality and naming them appropriately. These themes are important to understand the phenomenon between MNCs and how they communicate with stakeholders according to the thematic analysis as presented by Braun and Clarke (2006). The developed themes also allows for the application of new concepts, in this research specifically, through the implementation of theoretical frameworks. The theme of Philanthropy relates to activities directed at promoting the welfare of others. This includes activities that focus on health and wellbeing, human rights, the rural community and developments, education, and collaborations with NGOs. Secondly, the theme of Cultural Mediation explored activities that showcased a strong example of cultural influence from the companies. Thirdly, the Future Development theme refers to areas that focus on infrastructure building, ongoing partnerships, and nation-building. Next, the theme of Youth relates to activities directed at empowering youth talents by organising youth-related campaigns. Lastly,

the Corporate Identity theme refers to activities that build up a positive image of the company and help shape subconscious societal perceptions regarding the company.

Based on the previous chapters, the application of different theoretical frameworks in research helps focus the researcher in the quest of deriving meaning from the dataset. The integration of theories and linking it to themes allow for more in-depth insights into the behaviour of the three MNCs. The theoretical framework used for this particular phase is organisational legitimacy theory. The reason organisational legitimacy theory was utilised for this research is that this theory focuses heavily on subjective and collective assessments of powerful stakeholders and the social contract between companies and stakeholders.

The next phase in this analysis provides a detailed explanation of all five themes: philanthropy, youth, corporate identity, cultural mediation, and future development with clear examples and its direct link to the CSR theories.

4.6.1　Philanthropy

Philanthropy is identified as one of the major themes in this research. A group of minor themes relating to activities that involve monetary contribution and the promotion of the welfare of others are sectioned under this theme. In tandem with this, philanthropy is defined as a humanitarian act of generosity for the welfare of others. Naturally, these acts form a substantial proportion of CSR activities. All three MNCs in this study carried out several programmes in the areas of health, human rights, rural development, education, youth, and non-governmental collaboration.

Of the three MNCs studied, Nestle had the most varied approach to its philanthropic CSR activities. Health enhancement and advocacy was the biggest theme amongst Nestle's programmes. Moreover, Nestle has also collaborated with several NGOs in running health promotion programmes as well as striving to develop rural communities (from where it obtains raw agricultural produce) through initiatives where farmers are trained in entrepreneurship and agricultural skills.

As for Allianz, Disaster relief capabilities is an area of emphasis as seen by its collaboration with the Malaysian International Search and Rescue team. Allianz also helps the rural community by producing affordable insurance packages such as its 'Perlindungan Tenang' scheme aimed at consumers with a monthly household income below RM4,000.

4.6.2　Youth

The next theme generated through the thematic analysis was Youth. This theme was selected because of the big part it played in all the CSR annual reports. Several codes were identified

during the analysis process that surrounded topics on education targeting the youth and youth-empowerment-based programmes. Minor themes generated from these codes were education and youth, which were then combined to form a major theme, Youth.

For Heineken, roughly 50% of employees at Heineken Malaysia were between 20-40 years old. Heineken Malaysia has also founded its Asia Pacific Graduate Programme (APGP), which is a programme dedicated to attracting fresh graduates and developing their skills and knowledge within the company. Heineken Malaysia also has the 'Accelerate Your Talent' programme which is aimed at helping its high-performing employees to progress, career wise, from junior to middle management level. In this programme, these high-performers are trained to develop leadership skills and global mobility within three to nine months.

Similarly, Nestle Malaysia has established a youth development and empowerment initiative known as the "Nestle needs YOUth" initiative. This initiative is committed to providing continued readiness-for-work events and attracting more young people to the company through external collaborations. Some other youth programmes spearheaded by Nestle aim to promote an active lifestyle across Malaysia's younger generation.

Allianz Malaysia also has programmes in place to nurture young talents within the company. 'The Young Board Programme' and the 'Management Associate Programme' are such programmes which aim to develop the youth in the company with structured assignments at various functions. Both these programmes help youth within the company gain experience, knowledge, and exposure in roles outside of their normal daily functions. Additionally, Allianz Malaysia also offers internship programmes to local university students as part of the company's engagement programmes with local universities.

4.6.3 Corporate identity

Corporate Identity is identified to be a major theme for this research. A large majority of identified codes were related to managerial structure, business policies, and values as well as accountability for untoward events. These relates to the identity of the company as it sets the standards of practices for the MNCs in Malaysia.

Heineken showcases the theme of Corporate Identity in their reports by highlighting the diverse range of upper management, half of which are foreign nationals. This is in line with their universal *modus operandi* wherein all their foreign subsidiaries employ foreign western nationals as their upper management team. This creates a strong corporate identity for the company.

As an insurance product company, Allianz brands itself as an MNC that cares in safeguarding its clients' physical, social, and financial wellbeing. This is demonstrated by its strong efforts in

sustaining the future generation – "Allianz Group drives social inclusion through the Encouraging Future Generations programme, which targets better opportunities in training, education, and employability for young people worldwide" (p. 39) as well as the incorporation of safety, financial literacy and disaster risk management as its key pillar CSR objectives (p. 39). Allianz spearheads multiple road safety campaigns in conjunction with local authorities – "We have partnered with Jabatan Keselamatan Jalan Raya ("JKJR"), the local road safety department, since 2011 to advocate safe road behaviour both internally and externally" (p. 40) while also sponsoring financial awareness programmes – "As part of our initiatives to encourage young people to become interested in and involved with money matters, we supported Global Money Week 2019, with the theme 'Learn.Save.Earn'" (p. 41).

4.6.4   Culture

Another theme generated using the thematic analysis method is Culture. The reasoning behind this being a theme was due to a cluster of codes identified that shares similar ideas and content in terms of companies integrating cultural elements in the respective corporation's CSR activities. A strong example of cultural influence in Heineken is its innovation of Heineken 0.0, a dealcoholised beer introduced to the Malaysian market in 2019. This innovation represents an effort by the predominantly alcohol-based brand to appear more conservative to the predominantly Muslim majority in Malaysia. Another example of cultural influence in Heineken's CSR programmes is the "Tiger Beer Uncage New Beginnings 2019 Chinese New Year (CNY) Campaign" (p. 45). Chinese New Year, is also known as the Lunar New Year, is celebrated by over ten million Malaysians. Sponsoring and catering an event to this large ethnic population shows the company's commitment to cultural sensitivity.

Nestle places strong emphasis on its *halal* status in effort to resonate with the Muslim population. In the 2019 Nestle CSR report, the word *halal* is mentioned 147 times throughout multiple sections of the report. The report also contains a dedicated section on Nestle's *Halal* Promise, which starts off as "All products manufactured, distributed and imported by Nestlé Malaysia are certified *Halal* by JAKIM (Department of Islamic Development Malaysia) and other relevant recognised Islamic authorities" (p.36).

Allianz also incorporates local culture in its charitable programmes by hosting breaking fast events, and by distributing local delicacies to the public. Moreover, Allianz CSR events are organised to reflect the underlying theme of specific cultural holidays. For example, donation drives were carried out during *Hari Raya Aidilfitri*, which is the most significant Islamic religious holiday that occurs after a month-long dawn-to-sunset fasting period, known as Ramadan – "In conjunction with *Hari Raya Aidilfitri*, we conducted a donation drive amongst our employees to collect festive goodies and sundry items to be distributed amongst eight NGOs in Klang Valley." (p.48).

4.6.5   Future development

Future Development was also generated as one of the major themes in this research. This can be explained through the several codes clustered together that contained similar points to development plans. Some of the aforementioned codes included food research, agricultural production in rural development, and technological and business innovation. The codes were then grouped together as minor themes. Subsequently the minor themes were then merged to form a major theme. Future development plans, also known as sustainable development plans, are defined by the United Nations as lasting changes to ensure a future for the coming generations. These plans were integrated across all three companies' agendas. The three MNCs have invested in supporting the sustainability and development of Malaysia and the community at large. This indicates a desire for these companies to attract investors, be it governmental or private, by showcasing their vision for the future.

For Heineken Malaysia, this theme can be seen through their initiative to protect water resources which were launched in 2019. Nestle Malaysia also showcased its willingness to support future development, with the initiative "Nestle Cocoa Plan" aimed at tackling deforestation that largely impacts the rural communities which improves the farming practices and conditions for the agricultural chain. The future development and long-term goal for this are to improve the economics among source farmers.

Allianz Malaysia adopts the Future Development theme by launching its "SolarPro" product, an insurance protection scheme targeted for home, commercial, and industrial solar photovoltaic systems. Additionally, the company has also taken part in capacity-building for vulnerable communities that was done through company-wide donation drives to relieve construction from lacking necessities in Indonesia.

Table 4.6 explains where the minor themes are clustered together to form a major theme, together with how the organisational legitimacy theory - which are broken down to pragmatic legitimacy, cognitive legitimacy and moral legitimacy according to Suchman's (1995) model was used as a theoretical framework when creating the major themes. For further clarification, themes that relate to the act of giving out monetary contributions such as rural programmes and NGO collaborations are grouped together into the themes of Philanthropy and fall under moral legitimacy theory. Themes that involve cultural elements are named as Cultural mediation, whereas themes that are focused on infrastructure building, ongoing partnerships, and nation building are coined as future development. Both of these themes are placed under the cognitive legitimacy theory. However, the theme of Corporate Identity that covers company governance as to align itself with their parent company falls under both cognitive legitimacy theory and pragmatic theory. The theme Youth, that involves development of young talents and education, also falls under pragmatic theory.

Table 4.6

Identification of Major Themes and their Correlation with CSR theories

Minor Themes	Major Themes	Theoretical perspective (OLT)
Health		
Human Rights		
Rural Development	Philanthropy	Moral legitimacy
Education		
NGO Collaboration		
Cultural Mediation	Culture	
Investors and Government Collaboration		
Infrastructure Development	Future development	
Rural Development		Cognitive legitimacy
Environmental preservation		
Brand Identity		
Management team		
Business Ethics	Corporate Identity	
Accountability		
Education		Pragmatic legitimacy
Youth Development	Youth	

4.7 Stakeholder analysis

To answer the supplementary research question "Who are the stakeholders of CSR reporting?", a stakeholder analysis based on the common themes of Philanthropy, Youth, Future Development, Corporate Identity and Cultural Mediation was conducted. As explained in the theoretical framework chapter, organisational legitimacy theory explains the organisation's attempt to legitimise the activity among the stakeholders. For this purpose, the next step was the identification of the stakeholders among whom the mentioned MNCs are attempting to derive their legitimacy from. This stakeholder identification was performed after carefully perusing the CSR reports and the derived codes.

The assumed stakeholders derived from the themes found that the main stakeholders targeted in the CSR reports are the parent company, government, and investors. Using Mendelow's matrix, it is shown that the stakeholders of CSR reporting are those of high power or those who could directly influence the company to serve their needs or to continue to have their support. Further explanation on Mendelow's matrix and stakeholders is provided in Table 4.7.

Table 4.7 referred to the number of times that specific stakeholders were mentioned in the respective CSR reports. Table 4.8 refers to the number of times that stakeholders were mentioned in accordance to the major themes generated through thematic analysis. The code for Government includes the word government itself and all associated words such as ministry and minister. The code for Parent Company refers to the number of times the phrase 'parent company' was referred to in the report. The code Investors refers to the direct mention of investors in the CSR report. The code Community which refers to the number of times the community at large is brought up in the report. The code for Suppliers refers to groups involved in the chain of supply which includes traders and farmers. The code for Non-Governmental Organisation refers to the number of times NGO and non-profit was used in the reports. The code for Consumers included the words consumers, customers, and clients.

Identification of stakeholders through the themes generated through thematic analysis shows that the stakeholders prioritised are the government, parents, and investors. This contradicts the stakeholders mentioned in the CSR reports. It could be argued that the CSR activities may reference a diverse range of stakeholder, however, the themes show that the framing of the reporting prioritises high powered stakeholders. This is further supplemented by stakeholder analysis using Mendelow matrix and readability rating.

Table 4.7

Outline summary of the times stakeholders were mentioned in CSR reports.

Stakeholders	Heineken	Nestle (79 - word stakeholder)	Allianz
Government*	33	48	13
Parent company	17	39	21
Investor	12	4	7
Community	23	21	43
Non-Governmental organisation	8	4	6
Consumers/customers/clients	96	36	70
Suppliers	45	51	-

The contents of the CSR reports depicts the stakeholders, consumers, suppliers and government being mentioned the most.

Table 4.8

Outline summary of the times stakeholders were mentioned in accordance to the major themes generated through thematic analysis.

Stakeholders	Heineken	Nestle	Allianz
Government*	6	8	5
Parent company	6	7	6
Investor	6	4	6
Community	3	5	3
Non-Governmental organisation	2	4	3
Consumers	3	3	4
Suppliers	4	5	4

4.7.1 Readability

Readability score plays a central role in answering the research question, readability affects the legitimacy of CSR reports. This broad initial analysis of the reports was also necessary for understanding the contents. Readability takes into account the reading ease score, length of the report, languages used, and the number of words. Using the Flesch–Kincaid readability tests to score the reports, the tests are designed to indicate how difficult a passage in English is to understand. The test is rated on a scale of 1 to 100, with 100 being the easiest to read while 0-30 would suggest college graduate level of reading is required. All three MNCs recorded a reading ease score of less than 30. While English is a widely spoken language in Malaysia, it is not the official language nor the most spoken. This would suggest that the report is used to cater to higher educated individuals such as government officials, investors, shareholders, and management teams.

4.7.2 Stakeholder mapping

The results of this analysis found that the main stakeholders targeted in the CSR reports are the parent company, government, and investors. The results of stakeholder mapping using Mendelow's matrix shows that the stakeholders of the reports are those who can directly influence the company to be in their services in order to continue having their support. Mendelow's matrix utilised a grid to categorise stakeholders based on their relative power and interest in the business and its activities. Stakeholders were segregated into Grids A, B, C, and D, based on these two factors.

Figure 4.1 below presents an outline of Mendelow's matrix stakeholder mapping in identifying stakeholder's influence on companies. Grid A is populated by stakeholders who are weak in both their ability to influence the organisation's activity and their interest in the organisation's

affairs. Grid B contains stakeholders with low levels of influence on the company but high-level of interest in its activities as it has a direct impact on their job. Parties in Grid C have a strong power over the organisation, which includes regulations and policies but do not have a strong interest in its activities, unless necessary. Lastly, parties in Grid D have both a strong interest in the business and the corresponding power to influence its operations.

Based on Mendelow's matrix , the key player stakeholders identified through the analysis in Figure 3.1 above are the Government, parent Company and Investors. Investors and parent companies of the MNCs being researched have a lot of stake in terms of monetary input and reputation, and therefore hold a high level of interest in the company's operation. The themes identified in the thematic analysis of Corporate Identity and Future Development directly relate to engaging closely with key stakeholders. For example, Nestle Malaysia upholds its brand identity by including foreign nationals as high executives in the company. With regards to Allianz, Allianz Malaysia is part of a larger global group with its headquarters in Munich, Germany and is subjected to the European Union General Data Protection Regulation ("GDPR") since these regulations have extraterritorial jurisdiction. This affects stakeholders as the parent company is a major stakeholder in Allianz Group.

The Malaysian government holds a high interest and high influencing power as they have the ability to implement regulations that will affect how MNCs operate in the country. This places the government as stakeholders to be kept satisfied. Malaysia is a predominantly Muslim country with more than 60% of its population being Muslim. It is not surprising, especially for inhabitants of rural areas, that most of the population's culture, eating habits, and way of life is Muslim-centric. Nestle is mindful of this, and subsequently go to great lengths to ensure that their products are made from *halal* ingredients and their product branding comes with *halal* status. This is an example of how a company endears itself to the government.

Groups in Grid A (minimal effort) and Grid B (show consideration) were identified as consumers and employees. Customers tend to not have power over the activities of the organisation, unless they are a substantial purchaser, or multiple customers collectively collaborate to organise actions against the company's activities. Customers would also be less interested in the machinations of the company, as long as they are able to obtain their goods and services from the company, when required. With regards to Grid B, employees have a strong interest in the decisions of the company as there are direct impacts on their job security, remunerations, or any other benefits, however, the individual employees would have low power to influence any business strategy of the organisation. The result from Figure 4.1 below clarified that both consumers and employees are not the targeted audience of the CSR annual reports and, therefore, will not be included in the discussion. The low Flesch-Kincaid readability scores of all three MNCs supports this statement.

Figure 4.1

Summary of Mendelow's matrix simple framework in identifying stakeholder's influence on companies

	A	*B*
	Minimal Effort • Minimal engagement Consumers	*Show consideration* • Keep informed Employees
	Keep Satisfied • Meet their needs Government	*Key players* • Engage closely Parent company, investors
	C	*D*

4.8 Conclusion

This research addressed the three questions from the perspective of organisational legitimacy theory. These questions were mostly related to strategies deployed by MNCs while engaging with their respective stakeholders. Diversity of stakeholders was targeted by the MNCs to justify their CSR activities. Questions addressed revolved around the content of the CSR report and subsequent company strategies.

The five main themes present in all the CSR reports analysed answers the main research question on 'How do MNCs in Malaysia use CSR reports to communicate with their stakeholders?' This objective addressed 'How' by focusing on the mechanism of stakeholder communication. Further analysis of CSR reporting readability and identification of major themes answers the subsidiary research questions of 'How are CSR reports written in terms of their readability and content?' and 'How is CSR communicated to the stakeholders?'. The contents of the reports were analysed using the thematic analysis as suggested by Braun and Clarke (2013). It can be inferred from the reports that CSR report content caters to high-powered stakeholders such as the government, parent company, and investors. This addressed the subsidiary question of 'Who are the stakeholders to whom CSR reporting is communicated? 'The subsequent discussion outlines an in-depth analysis of the motives behind the CSR reporting of the selected MNCs.

Chapter 5 Discussion

5.1 Introduction

The research aimed to determine how CSR reports are used for stakeholder communication by MNCs operating in Malaysia. This was performed by conducting thematic analysis on CSR reports published in 2019 by Heineken Malaysia, Nestle Malaysia, and Allianz Malaysia. More specifically, the researcher wanted to know if and why CSR reports were important in establishing organisational legitimacy for MNCs operating outside of their country of origin. Only three were selected as a small sample size is typical for interpretive studies (Solomon & Maroun, 2012). The three companies selected are subsidiaries of their main parent companies operating in Europe. These companies are also all public listed companies in Bursa Malaysia, and as such, are subjected to the Listing Requirements of Bursa that requires all public-listed companies to publish sustainability reports. It is clear that research in CSR reporting is scarce. Ozdora Aksak et al. (2016) points out that the growth of CSR initiatives around the world and direction towards sustainability should be supported by more thorough scrutiny regarding the CSR structures and strategies across various cultures. CSR reports are a vital communication tool where companies relay their identity, direction, and goals to their stakeholders (Grunig & Grunig, 2008; Ihlen et al., 2011; Reeves, 2016). In light of this, the research discusses thematic analysis. In brief, the key themes common across the CSR reporting content of all three MNCs examined were philanthropy, corporate Identity, youth, cultural mediation, and future development.

5.2 Stakeholders

In efforts to address the main research question of how MNCs operating in Malaysia use CSR reports to communicate with their stakeholders, the research first looked at the supplementary research question regarding who these targeted stakeholders were.

Firstly, local government, investors, and parent companies were found to be positioned in the high-power grid of Mendelow's matrix. These entities were noted to be primary drivers of CSR reporting within Malaysia, given their power to influence the operation of CSR initiatives both externally (through consultation and with talent attraction being a desired outcome of CSR initiatives) and internally (through employees). This is justified based on the CSR themes themselves. One example is the description of a Nestle CSR programme that provides school students with free breakfast in the schools. Despite the CSR activity involving students (the supposed target audience), the complexity (low Flesch-Kincaid readability scores) and inaccessibility (availability of these CSR reports only online) of these reports make it clear that the actual target audience would not be the students, consumers, or even the schools that were

supposedly the primary beneficiaries of this initiative. The presumed target audience is, therefore, those of higher education level such as investors, shareholders, and government.

Chapter 2 highlights that managing the gaps between businesses and stakeholders are crucial in handling stakeholder relationships (Vogel, 2008). Publishing CSR reports that are catered to certain stakeholders is attributed as a vital step in maintaining a good stakeholder-organisation relationship. This is also reflected in Post, Preston, and Sach's (2002) perspective of stakeholder theory that places a higher value in prioritising more important stakeholders as they determine the organisation's ability to generate and maintain societal wealth (Post, Preston, & Sach, 2002). By prioritising high-powered stakeholders in their CSR reporting, the companies also stand to benefit from better optics given the clear message that these reports send: 'Companies are caring and give back to the society it operates in,' therefore legitimising itself. Flexible interpretation results in inconsistent CSR reporting despite the existence of structured guides such as the GRI. Instead of more holistic methods, it is not uncommon for companies to be selective in their reporting methods, only selecting activities that appear to paint a better picture of them. Voluntary disclosure has been likened to 'cherry-picking' by Gray, Dillard, and Spence (2009, p.558), who highlight the hollowness of this method of reporting.

As far as CSR reporting of the three companies studied are concerned, their length, low readability score, and the primary written language being English, create hurdles for the Malaysia layperson to understand the CSR activities done by the companies. For instance, farmers are noted as the active stakeholders in Nestle's hierarchy of stakeholders, however, the readability score of less than thirty might prove to be a hindrance for this farmer group. This would suggest that the reports were written with highly educated stakeholders in mind.

A study by Smeuninx, Nils et al. (2016) cited in chapter 2, found that similar to financial reporting, CSR reporting uniformly demonstrates low readability ratings across all regions and cultures, often limiting their comprehensibility to specialised groups such as investors and analysts. The findings from this study reflect similar sentiments. The low readability of the CSR reporting suggests that while the CSR initiative may appear to address a diverse range of stakeholders, the targeted stakeholders of CSR reports are a select group of high-powered/high influence individuals. This finding corroborates with that of Lee (2008), who argues that corporations tend to prioritise important stakeholders such as local government, investors, and parent companies as they have the power to influence operations of multinationals by imposing policy changes that could affect the operation of these companies. By reporting CSR initiatives in line with the requirements of parent companies and influential local stakeholders, MNCs are able to secure external legitimacy, which in turn ensures the continuous flow of resources and the continued support of the organisation's stakeholders (Pfeffer & Salancik, 1978).

The results from the stakeholder analysis answer the subsidiary question of 'Who are the stakeholders of CSR reporting?" The thematic analysis of the three CSR reports studied shows that the company prioritises the parent company, investors, shareholders, and government by focusing their reports on CSR initiatives that are important to these groups. The themes of Youth, Philanthropy, Cultural Mediation, Future Development, Corporate identity supplement this finding by showcasing how these themes are legitimate to the stakeholders stated.

5.3 CSR reports

The overarching theme of youth, philanthropy, culture and future development answers the main research question "How do MNCs in Malaysia use CSR reports to communicate with their stakeholders?" as the themes identified in CSR reporting are focused on areas important to major stakeholders. The themes from this research, which are derived and coded from topics of the report, also answer the supplementary question "How is CSR Communicated to the Stakeholders?" The aforementioned themes are likely those perceived by the company as the best ways to gain legitimacy in the eyes of their major stakeholders - the government, parent company, and investors.

Placing priority on local government and investors supports the review of literature, which states, CSR reporting strongly features legitimacy theory, which dictates that companies have much to gain by acting in a region-specific socially-acceptable manner (Meyer & Rowan, 1977; DiMaggio & Powell, 1983). Based on this theory, corporations seek to brand themselves in a favourable light that is in accordance with standards stipulated by powerful stakeholders in society. During the reporting process, managers make a selection of what they will report on and the amount of information that they want to provide to their stakeholders in order to place themselves in a favourable manner to their stakeholders. This is reflected in the results of this study which shows the recurring themes in all three companies and how they are important to their major stakeholders.

5.3.1 Theme of Philanthropy

All three MNCs in this study carried out several programmes in the areas of health, human rights, future development, education, youth, and non-governmental collaboration through the act of monetary donations. Philanthropy-related activities are also considered as part of CSR by many authors such as Henriques and Sadorsky (1999) and Carroll (1999). Philanthropic activities represent enticing areas of CSR reporting as they are socially favoured, easy to perform, and are commonly done (Tsang, Welford & Brown, 2009). The Malaysian government actively seeks monetary donations to fill the gaps of nation-building by providing a tax deduction on charitable donations made by organisations. All three of the companies researched have extensive reporting of their philanthropic activities involving underserved communities.

For example, Nestle with their healthy eating programmes, and Heienken and Allianz with their school programmes for students from underprivileged backgrounds.

5.3.2   Theme of Youth

The theme of 'Youth' is another legitimising element found in all three CSR reports. The Malaysian government has highlighted the importance of youth development in its nation-building towards reaching a developed Malaysia. The examined CSR reports are seen to derive legitimacy from mirroring this aspect of government policy, therefore providing further evidence that it is communicating with the government as a key stakeholder. Companies actively engage with youths through educational, professional growth, and empowerment programmes. Youths in Malaysia makeup 45% of its population and are a vital group for the development of the country. A developing economy grows faster and further with a ubiquitous presence of highly educated and professionally trained youths in all sectors of the economy. The results of this research show evidence of companies supporting the government's push for youth development by implementing a plethora of youth-centric programmes.

5.3.3   Theme of Culture

Cultural influences shape MNC leadership, company direction, and how it seeks legitimacy from society. Cultural mediation as a theme is therefore closely related to the supplementary research question, which seeks to determine the contents of CSR reports.As discussed in the theoretical framework, organisational legitimacy theory seeks to argue the appropriateness of an organisation or subject to its social context. In the case of MNCs operating in Malaysia, they would need to navigate the multicultural elements to be considered appropriate corporate citizens. For example, knowing well that Malaysia is a Muslim country, Nestle respects the values of the concept of *Halal*, and has adapted its production in accordance to the *halal* certification & is now known as the largest producer of *halal* products in the world. Likewise, Heineken, a company involved in the manufacturing and sales of alcoholic beverages, would have to ensure that the government of a religious Muslim-majority country is kept satisfied in order to secure their license to continue operations in the country. By discussing the involvement with the Islamic Development Department at length in their CSR report, Heineken looks to legitimise themselves to Muslim governmental decision makers and major investors. Since 2015, there has been a push by opposition parties in Malaysia to have stricter laws on alcohol sales (Malay Mail Online, 2015) as the number of deaths due to driving while under the influence of alcohol is high. The safe drinking campaign by Heineken is an example of how the company keeps the government satisfied by showing responsibility towards alcohol consumption.

5.3.4 Theme of Future Development

Future development is a key theme which includes sustainable development plans and rural development. The United Nations champions lasting changes that contribute towards a sustainable future. These plans were integrated in all three companies' agendas. All MNCs are invested with the sustainability and development of Malaysia and the community at large. This indicated the desire for these companies to attract investors, be it governmental or private, by showcasing their vision for the future. Nestle Malaysia, for example, has pledged to be more involved in future development initiatives in its CSR reporting. Allianz Malaysia adopted this theme by launching its "SolarPro" product. This product was launched with the hopes of promoting solar power to more homes, companies, and industries within Malaysia. Allianz Malaysia has also committed to reducing and monitoring its carbon footprint.

5.3.5 Theme of Corporate Identity

The theme of Corporate Identity is another result from the thematic analysis of this research. CSR activities are intrinsically linked to corporate identity. CSR activities build up a positive image of the company and help shape subconscious societal perceptions regarding the company. The research from the companies studied depicts efforts in projecting strong corporate identity through the adoption of uniform international standards of practice in their local business operations. The selected MNCs have adopted the same CSR reporting guidelines used by their parent companies in the west. Based on Pavlik and Belcik, (2010), a quality CSR report has to have credibility and appropriate form. The CSR reports of the selected MNCs ensure credulity by enforcing the requirement that all their subsidiaries across the globe adhere to the parent company CSR reporting standards. Parent companies are granted legitimacy by local subsidiaries following the stipulated CSR reporting guidelines, whereby local MNC branches derive legitimacy from their respective parent companies through well-designed CSR strategies (Kostova et al., 2008; Suchman, 1995)

5.4 Legitimacy through Youth, Philanthropy, Future Development, Cultural Mediation, and Corporate Identity

The themes from the CSR reports are in line with Suchman's (2011) explanation of legitimacy theory which states, CSR reporting can be used by managers to align their values with those of important stakeholders, giving them a chance to leverage societal approval (Suchman, 2001). By investing in programmes deemed important by the government, MNCs operating in Malaysia are able to legitimise themselves to the government, strengthening their position in Malaysia. Governments have a long history of using MNCs for their own benefit (Nye, 1974). For example, MNC production networks have been used to strengthen government sanctions, thereby furthering national interest. Similarly, MNCs have been complicit in state-sponsored

intelligence activities by gathering information in the countries of their foreign subsidiaries (Jamali, 2010).

The government maintains strong influence toward MNCs by imposing policies that would affect their business operation. Acts such as investing in infrastructure, youth, and the community are arguably done to attain legitimacy from the government and maintain stakeholder interest by sharing the responsibilities of delivery in public with the state (Bronn & Vidaver-Cohen, 2009). This result also supports Laguir, Stagliano, and Elbaz's (2015) claim that companies are more likely to engage in CSR activities if there are tax benefits involved. This has an additional benefit of fostering good ties with local authorities and the host community, which will aid in establishing social as well as political legitimacy. Hence, by publishing reports on their acts of charity and local investments, corporations can obtain legitimacy from the government to resources and a political voice (Wang & Qian, 2011), further proving that MNCs are communicating with the government as a key stakeholder.

Nestle Malaysia is a good example of local subsidiaries deriving legitimacy from its parent company. In order to meet its primary goal of establishing a profitable global business, local Nestle branches design CSR programmes aimed at boosting access to basic commodities, social benefits, and healthcare (Porter & Kramer, 2006). Structural legitimacy is based on the company's identity and whether or not it forms part of a 'morally favoured taxonomic category' (Suchman, 1995, p. 581). In their 2019 CSR report, Allianz Malaysia is seen to adopt selected parent company group policies and best practices on cybersecurity and is also in compliance with Bank Negara Malaysia's Risk Management in Technology policy. Since Allianz Malaysia is part of a larger global group based in Munich, Germany, it is also subject to the European Union General Data Protection Regulation since these regulations have extraterritorial jurisdiction. This affects stakeholders as the parent company is a major stakeholder in the Allianz Group. The internal management of the companies studied also falls into the theme of corporate identity. Heineken, Nestle, and Allianz have included profiles on their upper management teams, which consist of both local and foreign individuals. This aspect of business operation is uniformed throughout all the subsidiaries of these multinationals. Foreign upper management brings with it a set of practices and policies that are enshrined in every organisation, and to a certain extent, can be said to form the pillar/backbone for organisations to operate in (Brickley & Zimmerman, 2010). The degree of detail regarding their management teams allows local subsidiaries to draw legitimacy from their parent company.

5.5 Summary

The objective of this research was to understand how MNCs in Malaysia use their CSR reports to communicate with stakeholders, secondly to determine the stakeholders of CSR reporting and

thirdly, understand the content of CSR reports. The results from the thematic analysis on CSR reports by Heineken Malaysia, Nestle Malaysia, and Allianz Malaysia have shown that focusing on topics and issues that are legitimate to powerful stakeholders can provide multinational operating abroad legitimacy. The results of the stakeholder analysis supplemented by the themes have shown that the key stakeholders of CSR reporting are those in the high-power grid, namely the government, parent company, and investors. Finally, the research has also explored how CSR reports are written in terms of their readability and content and found that all the reports studied have a high readability rating, suggesting they are written for highly educated individuals

5.6   Limitation of the study

Limitations are an inherent part of any research, and this study is no exception. The main limitation of this research can be described in two aspects. First is the narrow scope of the study. Secondly, the study method was limited to a content analysis of only three companies and lacked additional data in the form of fact-checking through online mediums. Limited access to the CSR reporting practices of the companies was a hindrance, and hence only three companies were selected for the study. This was a limitation in terms of the methodology of the sampling.

The second limitation was the data analysis methodology. Since CSR reporting was to be analysed from the reports only, thematic analysis was the only option for the analysis. Had this study included other forms of data such as interviews with the company board members or other stakeholders, the study would have benefited from narrative analysis.

Given the small sample size of only three CSR reports collected within a limited time frame (reports published only for the year ending in 2019), findings from this research may not apply to all CSR-producing organisations in Malaysia.

5.7   Recommendations for future research

Future research adopting combined quantitative and qualitative methods to study stakeholders' preferences towards companies with CSR strategies would offer greater insight into CSR practices in Malaysia. Additionally, future research can also focus on determining potential correlations between effective CSR strategy and the financial performance of the company. Another focus area could be on how to make CSR user-friendly to all the stakeholders.

5.8   Conclusion

This thesis has led me to question the importance of CSR reporting as a communication tool for legitimising MNCs. While the CSR initiatives by MNCs operating in Malaysia are superficially seen to target a broader and more diverse stakeholder group, the fact remains that CSR reporting

is used as a means of communicating with a select group of high-powered stakeholders. This conclusion is derived based on a thorough analysis of the content of these CSR reports which demonstrate consistent MNC adherence to Malaysia's multi-cultural and religious principles, and the repeating theme of Malaysia's future growth based on the original Vision 2020 policy. These actions are concluded to be efforts of MNCs operating in Malaysia to derive legitimacy from the local government. Additionally, CSR reports strongly feature MNC structure including details on foreign ownership These efforts can be interpreted as a means of gaining legitimacy from their parent companies. Further demonstrations of MNCs' commitment to nation-building and product innovation serve as a way to legitimise themselves to investors. Given the scarcity of studies on CSR reporting in MNCs operating in Malaysia, the results from this study forms the foundation for future studies. Further studies that involve more CSR reports across longer time periods, in addition to data corroboration across multiple sources, are critical in establishing a holistic view on CSR reporting of MNCs operating in Malaysia.

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Appendix

Appendix A

Table 4.1 Full Data Familiarisation Table

Factors	Nestle	Heineken	Allianz
Number of pages (i.e how long is the report)	148 pages	154 pages	68 pages
Flesch Reading Ease (i.e is it readable?)	26.8	28.1	27.5
Targeted sectors (i.e what are their sectors? what are the products?)	Food manufacturing. The biggest products distributed are Milo, Nescafe and Maggie. For example, Milo trunks in local government schools has been made the quintessential 'Malaysian school experience'.	Brewery. Biggest product distributed is the Tiger beer. Known as the 'uniquely asian beer', Tiger supports Malaysia's vibrant street food scene with the Tiger Street Food platform, bringing the best of Malaysian street food and raising the profile of its creators.	Insurance (life and general insurance). Largest General insurance company and largest auto insurance sector in Malaysia.
CSR report title	Nestle in Society Report/ CSV (Creating Shared Value) Published together with Annual Report	Growing Our People & Protecting Our Planet Part of Annual Report under	Allianz4good Sustainability Report as Part of the Annual Report
Imagery (i.e what are the types of photos)	Product placements and community pictures. Picture of employees/ board members and advertisement of their products such as Milo and KitKat	Product placements Advertisement photos of their campaigns and products Graphs	Images of community involvements Pictures of community outreach

Language	English	English	English
(i.e what is the main language used? Are there any Non-English words?)	Malay phrases in support of Malaysia's healthy eating campaign "Suku-suku Separuh"	No Malay words or phrases were used	Malay phrases "AllianzKampungku Berhati-hati di jalan raya"
Accessibility	Easily accessible Nestle Malaysia website - under the heading 'Our Impact Areas' and 'Our Halal Commitment'	Easily accessible Heineken Malaysia website – under main heading " Corporate social Responsibility	Easily accessible Regional website only at the bottom of the page under 'About us'
(i.e is the report accessible to the public?)	https://www.nestle.com.my/our-impact-areas https://www.nestle.com.my/our-halal-promise	https://www.heinekenmalaysia.com/corporateresponsibility	https://www.allianz.com.my/allianz4good
Content of report	Creating shared values Stakeholder engagement Environment Awards and achievement	Supply chains Governance Community engagement Environmental responsibility Random politicians Issue of drinking (lobby report)	Stakeholder engagements Governance Digital regulations/performance Cyber security Fair employment Environmental engagement Issue (Affordability) Road safety
(i.e what are the content chapters? Are there actions on issues taken?)			
Department	CSR department (Creating Shared Values)	Corporate Affairs & Legal Department	CSR Department, Corporate Communication; relevant other functions (Allianz4good)
(i.e who's responsible for the report?)			
Guidelines	Adheres to global reporting initiative standards for CSR reporting – Audited by PWC	Cites UN Global compact. Emphasis on clean water and human rights	Uses OECD as guideline for CSR reporting – Audited by PWC
(i.e are they following international guidelines?)		Follows the criteria set out by Bursa Malaysia for sustainable reporting	

Visibility (i.e are the CSR reports in the annual reports?	A section in the annual report on community outreach	Only found in Annual Report	Pages on CSR initiative in the Annual report
Stakeholders (i.e Stakeholders mentioned in Report)	Government Non-government organisations Investors Manufacturers Farmers Employees Community	Government Non-government organisations Investors Breweries Employees Community	Government Non-government organisations Investors Agents/ Business partners Health officials