Motives underlying social and environmental reporting in Thailand:
A comparison of stakeholder salience for the manufacturing and energy sectors

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Declaration of Authorship

I, Tulaya Tulardilok, hereby declare that this thesis and the work presented in it is entirely my own. Where I have consulted the work of others, this is always clearly stated.

Signed: _____

Date: _____

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Abstract

This PhD study investigates the motivations underpinning social and environmental reporting (SER) in local Thai listed companies, focusing on the energy and manufacturing sectors. In Thailand, the awareness of and response to CSR/sustainability issues, including motives underlying social and environmental reporting (SER), can be largely seen in the efforts linked to the overseas operations of multinational companies, whereas those of Thai local companies appear to be underdeveloped and not well established. In addition, in 2015, Thailand joined the ASEAN Economic Community (AEC), which is aimed at enabling the free movement of goods, services and capital among ASEAN (Association of Southeast Asian Nations) adherents. The unique characteristics of the Thai context provide a great opportunity to investigate and understand the reasons behind the initiation of social and environmental reporting (SER) by Thai companies.

The empirical study focuses on two different business sectors of Thai listed companies: energy and manufacturing. Affiliation to an industry sector is considered to be one of the factors related to the concept of the 'social contract', used to explain how the different social contracts specific to each of these two business sectors have influenced their SER. This research adopts the stakeholder identification and salience theory developed by Mitchell et al. (1997) as an explanatory lens. In particular, this study uses the model of stakeholder identification and salience through an exploration of stakeholder attributes—namely: power, legitimacy, and urgency.

The primary research method chosen to collect the empirical data for this research was that of semi-structured interviews; this was complemented by content analysis. The details emerging from this study reflect that different stakeholders hold different levels of power, legitimacy and urgency in motivating SER in energy and manufacturing companies. However, the study also finds that a number of stakeholders share similar kinds of influence in motivating companies from these two sectors to produce SER in the Thai context. By distinguishing, comparing and contrasting between these two business sectors, this study provides useful insights that contribute to the advancement of the existing literature in both theoretical and empirical terms.

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List of Abbreviations

A.D.	Anno Domini
ACAS	Advisory, Conciliation and Arbitration Service
ADB	Asian Development Bank
AEC	ASEAN Economic Community
APSC	ASEAN Political-Security Community
ASCC	ASEAN Socio-Cultural Community
ASEAN	Association of Southeast Asian Nations
ASSC	Accounting Standards Steering Committee
BHP	Broken Hill Proprietary
BOT	Bank of Thailand
CERCLA	Comprehensive Environmental Response Compensation and Liability Act
CERES	Coalition for Environmentally Responsible Economies
CSR	corporate social responsibility
CSRI	Corporate Social Responsibility Institute
DIW	Department of Industrial Works
DJSI	Dow Jones Sustainability Indices
EC	European Commission
EIA	Environmental Impact Assessment
EMAS	European Union's Environmental Management and Audit Scheme
FDI	foreign direct investment
GAAP	Generally Accepted Accounting Principles
GDP	gross domestic product
GRI	Global Reporting Initiative
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
ISO	International Standards Organisation
MNC	multinational company
MNRE	Ministry of Natural Resources and Environment
MOSTE	Ministry of Science, Technology and the Environment
MRT	middle range thinking
MSDHS	Ministry of Social Development and Human Security
NCGC	National Corporate Governance Committee
NESDB	National Economic and Social Development Board
NGO	non-government organisations
NICs	Newly Industrialised Countries
OECD	Organisation for Economic Co-operation and Development
OEPP	Office for Environmental Policy and Planning
ONEP	Office of Natural Resources and Environmental Policy and Planning
OTOP	One Tambon One Product
SER	social and environmental reporting
SET	Stock Exchange of Thailand

SMEs Small and Medium enterprises
SOE State-Owned Enterprises
SRI Socially responsible investment
TAS Thai Accounting Standard
UNDP United Nations Development Program
UNEP United Nations Environmental Program
UNGC United Nations Global Compact
WBCSD World Business Council for Sustainable Development
WHO World Health Organisation
WIPO World Intellectual Property Organisation

Chapter One: Introduction

1.1 <u>Background and Motivation to the Research</u>

Over the past decade, discussion of social and environmental reporting (SER) has been commonly found in the accounting literature, in relation to the topics of corporate responsibility and accountability. The attention has hitherto largely been focussed on developed countries, such as the United Kingdom and other European countries, the United States, Australia and New Zealand (Guthrie and Parker, 1990; Patten 1992; Gray et al., 1995; Gray et al., 1996; Adam, 2002; Perrow, 2002; Matten and Moon, 2008; Bebbington et al., 2009). In recent years, research in this field has developed an interest and has dramatically increased in the developing countries context (Ratanajongkol et al., 2006; Belal and Owen, 2007; Amran and Devi, 2008; Islam and Deegan, 2008; Elijido-Ten et al., 2010; Mahadeo et al., 2011; Soobaroyen and Ntim, 2013). In the existing literature, the difference in country context has led to identifying differences in corporate motivation for the adoption of SER practices. Therefore, rather than applying the empirical findings from developed countries to less developed ones, Gray et al. (1996) called for a deeper understanding of the explanations behind social and environmental reporting in the latter. This was supported by Belal el al. (2013: p.81), who confirmed that research into social and environmental accounting practices in less developed countries was still very limited and in need to be further developed into greater detail.

In Thailand, it can be seen that the main focus on CSR activities and SER practices is upon the overseas operations of multinational companies; however, such companies, regardless of where they operate, tend to take a standardised global approach towards their practices, which potentially fails to take into consideration any localised issues. While the attention paid by MNCs to CSR and SER has been acknowledged, that of local companies has been generally ignored. In addition, in 2015, Thailand joined with nine other countries in Southeast Asia (Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, and Vietnam) in the establishment of the ASEAN Economic Community (AEC) for regional economic

integration. The establishment of the AEC has enabled the setting up of a single market and production base in the region, with the free movement of goods, services, labour and capital. Such unique characteristics found in the Thai context provide a great opportunity to study local companies—in particular with regard to the motivations underpinning their initiation of SER practices.

This PhD study, which is designed to investigate and understand the motivations behind the initiation of SER practices from the perspective of the reporting organisations, focusses on two different types of Thai listed companies—energy and manufacturing—through an investigation of their managers' perceptions. By no means will the reporting practices, the reporting process, or the social and environmental reporting situation be examined. Thus, this study distinctly differs from most prior research studies, which looked at the extent of social and environmental reporting or at the relationship between the performance measurements related to SER practices.

This PhD thesis started with this introductory section that outlined the background to the research. The next one addresses the research aims and objectives chapter. This is followed by a section on the research framework for the theoretical analysis and by a research design one, which outlines the research methods employed in this study. The last two sections respectively highlight the contributions made by this study and the structure of this thesis.

1.2 Research Aim and Objectives

The aim of this PhD study is to investigate the motivations underpinning social and environmental reporting (SER) practices in local Thai listed companies; it does so by focussing on the energy and manufacturing industry sectors in particular. Specifically, its purpose is to understand *why* Thai organisations choose to initiate social and environmental reporting. In addressing the research aim, the results of the empirical investigation will be analysed in view of the following three research objectives:

- To investigate the Thai companies' attitudes towards SER practices.

- To understand the reasons behind the initiation of SER practices by Thai companies.

- To provide insights into how both external and internal factors affect the undertaking of SER practices in the Thai context.

To achieve the above objectives, this study examines the organisational perceptions of SER practices through an investigation of the views of the managers of local Thai companies. The thesis explores the emerging motivational factors and seeks to understand how these factors impact the ways in which such companies undertake SER practices.

1.3 <u>Research Framework</u>

The study uses the concept of stakeholder identification and salience to frame its discussion and to help understand who the stakeholders are and what really affects the managers' decision-making process—with particular reference to the reasons underpinning the initiation of social and environmental reporting. This study uses stakeholder identification and salience theory, as developed by Mitchell el al. (1997) through an exploration of stakeholder attributes—namely: power, legitimacy, and urgency. Rather than adopting the widely cited definition of stakeholder proposed by Freeman (1984: p.46) as "any group or individual who can affect or is affected by the achievement of the organisation's objectives", Mitchell et al. (1997) proposed a sorting criteria to help better identify which stakeholders are prioritised by managers in their competing claims. Mitchell et al. (1997) developed a framework of stakeholder identification and salience as a tool to categorise stakeholders in terms of power, legitimacy, and urgency.

To better explain and understand why specific stakeholders have more or less power, legitimacy, and urgency than others, this thesis emphasises the notion of the social contract to help frame the discussion of how the business operations of different organisations have a different scope and nature. This thesis uses the concept of the social contract as a framework to understand the relationship between an organisation,

its stakeholders, and the society in which it operates (Deegan, 2002; Deegan and Unerman, 2011). There is an a priori expectation that the influence of various stakeholder groups will differ based upon the industry sector in which a company operates. The concept of the social contract is therefore employed by this research to help elucidate and explain why the two industry sectors under study—energy and manufacturing—have different perspectives towards different stakeholder groups with regard to their motivations for the initiation of SER practices.

This theoretical framework also provides a complementary perspective of stakeholder-manager relationships from both the power and legitimacy points of view. The concept of power relates to an organisation's relationship with specific stakeholder groups, whereas the concept of legitimacy provides a pre-eminent explanation based on the notion of the 'social contract'. When legitimacy is addressed in this study, the focus is placed upon stakeholder legitimacy from the perspective of the reporting organisation, rather than upon organisational legitimacy from the perspective of the stakeholders, which is the legitimacy theory perspective most commonly adopted within the SER literature. In addition to power and legitimacy, the stakeholder attribute of urgency is also employed in order to capture the dynamics of stakeholder-manager interactions (Mitchell et al., 1997: p.867).

In Thailand, SER is a new field that is being developed from CSR practices; moreover, the AEC provides a specific setting and social context that offers various social dynamics for Thai companies to manage different types of stakeholders with different expectations in regard to SER practices. The use of this dynamic theoretical framework helps to provide an interpretation of the data to achieve the research aim of determining why Thai companies engage in SER. Therefore, this thesis uses stakeholder identification and salience theory to conceptually frame an understanding of how managers perceive and assess their stakeholders' needs in their attempts to ensure their continued support and to respond to their demands. In other words, the use of the stakeholder identification and salience framework helps to understand the ways in which managers identify who and what really matters in regard to the apportioning of managerial decisions pertaining to SER practices among Thai local companies.

1.4 <u>Research Design</u>

As a guide to its research, this PhD study uses a qualitative research methodology based on the middle-range thinking (MRT) approach proposed by Laughlin (1995, 2004). The MRT approach uses the 'skeletal theory' concept to guide the initial empirical investigation by using prior theory terms to understand the research background. Rather than testing the theory, this approach enables empirical detail to provide greater meaning and flesh out the skeletal theory. Laughlin (2004: p.273) recognised the process of fleshing out the skeletal theory as a "key purpose of the empirical engagement". This approach provides flexibility to the data collection process while valuing the researcher's judgement in making any adjustments necessary in order to fulfil the research objectives. It also values the researcher's interpretative skills and background knowledge, guided by the theoretical framework, to interpret the empirical detail and flesh out the skeletal understanding. Therefore, this research study seeks an understanding of the motivations behind SER practices in Thai context while by no means aiming at generalising the results or attempting to test the hypotheses in detail.

Specifically, this research study focusses on two different types of Thai listed companies: energy and manufacturing. Due to the socially and environmentally sensitive nature of their work, these two high-environmental impact industries are seen as being more high-profile in the production of any kind of socially and environmentally related information. Focussing on these two industry sectors therefore helps to improve the empirical analysis and enables the cross-sector comparison of companies in order to gain a greater understanding of the motivations underpinning SER practices in the Thai context. The distinction between the two industry sectors thus helps to structure the empirical analysis into two main directions: the influence of those stakeholders who have similar attributes of power, legitimacy, and urgency across the two sectors and that of those who have differing ones. This study's focus on empirical evidence drawn from the energy and manufacturing industry sectors is recognised as an additional contribution, bringing various new insights and depth to the advancement of the social and environmental reporting literature.

To address this PhD's research aim, two specific research methods were introduced and chosen to collect the empirical data—namely: content analysis and semi structured interviews. Prior to the commencement of the main data collection process, however, a pilot study was undertaken to clarify whether the proposed methods would be appropriate and suitable to achieve the research objectives. Such pilot study was carried out not only to gain experience in the data collection process, but also to get an idea of the aspects linked to social and environmental reporting in Thailand before commencing the main study. Moreover, it enabled an examination of the potential possibilities and challenges linked to the analysis of the main empirical data.

In conducting the pilot study, the researcher mostly used content analysis to gain information about the reports' content and the overall nature of the companies' business before conducting the interviews. The MRT approach enabled the researcher to adjust the data collection process. It was therefore reasonable to use the content analysis method to mainly assist in gaining background knowledge of the studied companies before the main study interviews and thus possibly develop a set of effective interview questions. In other words, the primary research method of semi-structured interviews to collect the empirical data for this research was complemented by content analysis.

Further to the above discussion, the semi-structured interviews helped to generate detailed insights and a richness of empirical data. The investigation of the interviewees' perspectives by means of face-to-face interviews generated more comprehensive data to address the research aim of understanding the motivations behind Social and Environmental Reporting (SER) practices in local Thai companies.

1.5 Contribution

This PhD study makes an extensive contribution to the existing literature on social and environmental reporting in terms of both theoretical framework and empirical evidence.

The findings of this study provide new empirical insights by enabling a deeper understanding of the motivations underpinning SER practices in a developing country—i.e., Thailand. In the specific Thai context taken into consideration, longstanding religious and monarchical values influence the sample organisations in their business decisions—in particular with regard to SER practices. Moreover, the underlying motivations of Thai local companies in the run up to the 2015 establishment of the ASEAN Economic Community are explored. Thus, the findings of this study make a clear empirical contribution by offering new insights into most of the existing literature. Moreover, the face-to-face semi-structured interviews conducted were not aimed at providing generalisable results, but at understanding the perspectives of the reporting organisations by investigating their managers' perceptions in regard to the motivations behind the initiation of SER practices in the Thai context. This brought a great richness to the analysis of the data, as most of the existing SER research in Thailand had investigated the extent of SER or the relationship between the performance measurements related to SER practices, as informed by the adoption of a quantitative methodology.

This PhD research study adopts stakeholder identification and salience theory as the theoretical framework to understand the motivations behind the adoption of specific SER practices. The novelty of this theoretical approach offers the analytical capacity of gaining empirical insights in terms of the three attributes of power, legitimacy, and urgency. Further, the theoretical framework provides a different take on the legitimacy perspective. While the existing SER literature addressed the legitimacy of organisations from the perspective of the stakeholders, this study advances such literature by looking at the legitimacy of the stakeholders from the perspective of the reporting organisations. In addition, the further defined breakdown of legitimacy into its pragmatic, moral, and cognitive types employed in this framework helps to gain a clear understanding of stakeholder legitimacy from different levels of the organisational perspective. The thesis also provides a greater theoretical understanding of the different types of stakeholders—latent (dormant, discretionary and demanding), expectant (dominant, dangerous and dependent), and definite stakeholders—with regard to which ones, from the managers' perspectives and with various degrees of influence, act as motivators on the sample companies engaging in

SER. The use of stakeholder categorisation not only provides further depth to the analysis of the stakeholders and of their relationship with the managers, but also sheds new light upon and advances the existing theoretical literature.

1.6 Structure of the thesis

The thesis is made up of eight chapters, as follows.

This chapter provided a general introduction to the whole study. It started by presenting the background to the research, which led to identifying its aims. In this chapter, the framework, design, and contributions of the research were provided. In addition, the structure of this study is now outlined.

Chapter 2 presents the existing empirical studies related to the area of SER. It discusses the historical development of sustainability reporting and how its importance has changed over time. It continues with a discussion of corporate social and environmental responsibility practices in different organisational contexts, in which the SER practices in both developed and developing countries are summarised. The chapter also presents the evidence uncovered by previous studies conducted in Asia, Southeast Asia, and Thailand. To address the existing gap in the literature, the chapter concludes by proposing the aim and objective of studying the motives that lead to the undertaking of social and environmental disclosure by Thai local companies.

Chapter 3 reviews the relevant theories that have been adopted by the previous studies in the fields of social and environmental accountability and corporate social responsibility, such as the stakeholder, legitimacy, and institutional theories. It then continues with an introduction to stakeholder identification and salience theory proposed by Mitchell et al. (1997), being the theoretical framework used in this study. It introduces the theory's key concepts, including the definitions of stakeholder and stakeholder salience. It then emphasises stakeholder attributes as the main elements of the theoretical framework. The three stakeholder attributes of power, legitimacy, and

urgency, and their interrelation are discussed. Then, the various stakeholders are categorised based on their possession of one, two, or all three of the aforementioned attributes. This is followed by the discussion of the role played by managers and of their relationship with stakeholders in regard to the latter's salience.

Chapter 4 presents the research methodology adopted to guide this study. The middle range thinking (MRT) approach (Laughlin, 1995, 2004) was adopted as the key philosophy in this study. The empirical data was collected using the qualitative research method of conducting semi-structured interviews and complementing them with content analysis. This method was adopted in both the pilot and the main studies. In this chapter, the criteria and detailed process used in the sample selection in both the pilot and main studies are fully described. The chapter concludes with the discussion of the data analysis process and the highlighting of the attention placed upon issues relating to research ethics.

Chapter 5 presents the unique characteristics of Thailand, as the location for this research study, by providing background information on the country's contextual setting. It describes the economic contexts prevalent both before and after the 1997 financial crisis. This chapter also offers an understanding of the social context, including politics, religion and the monarchy. It then continues with the introduction of the implementation of the ASEAN Economic Community (AEC), which is comprised of ten Southeast Asia region nations (including Thailand). At the end of the chapter, reviews of corporate social responsibility and of the development of SER practices in Thailand are presented.

Chapter 6 presents the insights drawn from the empirical findings, which were primarily gathered through interviews conducted with the organisational participants. The organisational participants' perceptions were sought to understand the key motivations underpinning SER practices. The chapter focusses on identifying and classifying those stakeholders who exert an influence on organisational practices with regard to SER. All stakeholders are analysed as a function of the degree of priority that managers allocate to them based on their attributes of Power, Legitimacy, and

Urgency. It individually discusses each of these three stakeholder attributes to explore how various stakeholders have different degrees of impact on the undertaking of SER practices.

Chapter 7 presents the conclusions of this thesis. It includes an overview of the research aim and objectives and explains how they were addressed and achieved. The implications of this study are also discussed in light of how they may impact on any future efforts to develop SER practices in Thailand. It revisits the theoretical framework and offers some suggestions for future research. The chapter also outlines the contributions this study makes to the SER literature base. To conclude this thesis, its limitations are discussed and suggestions for potential future research are proposed.

Chapter Two: Insights from Existing Empirical Studies

2.1 Introduction

This chapter explores the existing empirical studies related to the area of corporate social responsibility (CSR) and sustainability reporting. The primary purpose of this chapter is to review and summarise the insights in the literature in a way that focusses on the identified gaps and to develop the research aim and objectives. The relevance of this chapter is in shedding light on factors that are new, to which previous studies had paid very little attention, or that have yet to be empirically investigated. It also seeks to explore the limitations of previous studies; this will provide a basis to define some concerns that should be taken into consideration and may be required in the development of this PhD study. Accordingly, this chapter starts with an overview of the historical development of SER. The reason for this is to provide an interesting timeline and to show that social and environmental issues have been variously examined over the past decade. In the second part of this chapter, the significant shift from SER practices to the large scale development of sustainability reporting is recognised and discussed. This chapter also demonstrates that the private sector, the public sector, and non-government organisations (NGOs) have adopted different types of CSR/sustainability practices. Further, this chapter provides insights into CSR/sustainability and reporting practices in general, comparing studies that look at developed countries with others concerning developing countries. Then, it narrows its focus upon Asia and South East Asia respectively, in order to highlight the existing contradictions and similarities. This is followed by a review of the current evidence of such practices, particularly in Thailand. The whole chapter is then summarized and the empirical gaps are highlighted based upon an understanding and critical review of all the relevant literature. Finally, to address such gaps, the research aim and objectives of this PhD study are formulated.

2.2 A broad overview of the historical development of sustainability reporting

2.2.1 Early developments – the 19th century

CSR started to emerge in the United States in the 1950s, with the support of the corporate management of sensitive industries such as energy companies and automobile manufacturers (Frederick, 2006). For example, Frank Abrams, Chairman of the Board of Standard Oil (now Exxon), raised the concern that, as instruments of society, corporations—and therefore their managers— should take on the duties of 'good citizens' to contribute to the solution of issues that have a social impact (Abrams, 1951). Similarly, Bowen (1953) argued that business companies, being the economic outcome of social institutions, should consider their social responsibilities when making business decisions in regard to their activities. As a result, social responsibility, in this early decade, took on different characteristics; charitable donations, the promotion of employee welfare, community service, and religious conduct (Banerjee, 2007).

However, Drucker (1965) found that middle-class Americans were still dissatisfied with the social responsibility initiatives linked to the business practices of American corporations with regard to issues of community development, exploitation of labour, and so on. By the late 1960s, the social responsibility of businesses was perceived to be a live issue covering the North American area and expanding to continental Europe, although it took some years before it began to raise awareness in the United Kingdom and Australia (Gray et al., 1996). Hogner (1982) and Guthrie and Parker (1989) offered evidence to support this claim by providing examples of the longitudinal study of corporate social reporting in US and Australian companies respectively and specifically. Hogner (1982) found that the information included in the US Steel company report for the 1901-1980 period had covered employee welfare and community development; similarly, the study conducted by Guthrie and Parker (1989) found that the Australian mining company (BHP) had reported employee and community issues for the 100 year period starting with 1885.

2.2.2   *Social reporting – the 1970s*

The year 1968 is important because it was marked by struggles for social change, independence, and human rights. The assassinations of Martin Luther King and Robert Kennedy saddened and depressed the American nation. The continuous movement towards the transformation of African American civil rights became a dramatic issue. At the same time, protests in reaction to the Tet Offensive and to the US military campaigns of the Vietnam War bore witness to the existence of a broad movement extending to the whole of the United States (Perrow, 2002). In Europe, there were widespread protests against the Soviet Union's invasion of Czechoslovakia. Additionally, a series of remarkable events, in terms of political issues, were precipitated by students and trade unions who, feeling politically repressed and together with the poor and with ethnic minorities, took to the streets in Paris, London, Rome, Detroit, Chicago, and many other cities around the world (Klimke and Scharloth, 2008). This marked the year 1968 as a year of social change towards liberty and equality.

The social movements in favour of the achievement of African-American equality and against the Vietnam War had significant impacts not only on the political agenda but also on US business practices. All this social change encouraged the development of social responsibility with regard to human rights, workplace equality and quality, women's liberation, and better employment opportunities. Following those deep social change events, the Ernst and Ernst accounting company (now Ernst and Young) produced a series of analyses of the 1972 to 1978 annual reports of Fortune 500 companies; it found that the focus for the existence of disclosure was also related to employee issues (Ernst and Ernst, 1978). Empirical studies were conducted by measuring the volume—in term of words, pages, etc.—of disclosure reports in relation to the characteristics of the disclosing organisations, such as size, industry sector and return on equity (Bowman and Haire, 1975; Preston, 1978; Cowen et al., 1987).

Moreover, in the 1970s, changes in the labour laws of the UK brought about significant change in the empowerment of the country's employees and trade unions (Gray et al., 1996). An instance of the labour laws passed during this particular period

was the Health and Safety at Work Act, which defines the rights to access to information and decision-making with regard to employee and workplace safety (Stuttard, 1979, as cited in Burchell et al., 1985). Stuttard (1979) acknowledged this significant change in the relationship between trade unions and companies by asserting that "for the first time in law, the regulations have given trade unions decision-making rights in their workplaces". Moreover, the 1975 Employment Protection Act also gave the Advisory, Conciliation and Arbitration Service (ACAS) authority to issue Code of Practice rules on the disclosure of information to trade unions (Burchell et al., 1985). These required employers to disclose information to trade union representatives. The 'Bullock Report'—issued following an inquiry into industrial democracy chaired by Lord Bullock—was another factor that influenced the industrial relations that were taking place during this period (Burchell et al., 1985: p.397). Although the Bullock Report did not result in the passing of laws and regulations, it anyhow developed those areas of health and safety that engaged the workers into their companies' decision making processes (Department of Trade, 1977).

Beside the labour laws, the 'Corporate Report' drawn from the accountancy bodies (Accounting Standards Steering Committee – ASSC, 1975) proposed the disclosure requirement of the 'value added statement'. In the value added statement, employees are perceived to be as important as the funding providers (Smith, 1978). It shows how the benefits created by an enterprise are shared among its employees, its funding providers, and the government in different practices such as the payment system, the employee report, and profit sharing schemes. Value added was also used as a performance criterion in the explanation of company performance to employees. On the other hand, it was used as a communication tool to motivate employees to work and be more productive, thus maximising a business's profits (Burchell et al., 1985). In the late 1970s, the labour law and the Corporate Report played important roles in promoting the improvement of social accounting and reporting.

In Australia, to advance the empirical studies in the field of social reporting, Anderson (1980) surveyed the attitudes of Australian accountants towards the voluntary disclosure of social responsibility data in annual reports; the study shows that they were quite supportive of embedding the voluntary disclosure of information.

Another example was Trotman's (1979) attempt to develop a method to measure the amount of existing voluntary information disclosure. He quantitatively analysed social reporting and found an increase in the incidence of the social disclosure made by the largest corporations listed in the Sydney Stock Exchange during the late 1970s. The changing concerns in regard to social issues and their effect on the levels and contents of disclosure—with reference to the US, the UK and Australia—made the 1970s the social reporting decade (Unerman et al., 2007).

2.2.3   *Decline in reporting – the 1980s*

In the 1980s, the major manufacturing industries began to move their operations to developing countries characterised by lower labour costs and slacker labour laws and regulations; this caused a significant increase in unemployment and a decline in trade union power in most developed countries (Gray et al., 1996). This trend was criticised and generated arguments on how sincerely businesses respond to their respective employees in term of social responsibility; this was also reflected on voluntary reporting in the US, the UK, and Australia. As could be expected, there was a reduction in terms of employee information in the content of voluntary reporting (Gray et al., 1995).

In the case of the UK, this period also saw a political agenda aimed at reducing trade union influence and requiring businesses to take over employee welfare responsibilities that had hitherto been undertaken by the government. Moreover, the government passed laws to encourage the disclosure of equal employment opportunities and to encourage employee participation in the workplace. As a result, among the changes observed in disclosure where some that involved a wider exposure of shared ownership and community involvement; conversely, value added and trade union-related disclosure remained at a very low level (Gray et al., 1995). Anyhow, any attempt to explain the companies' motivations behind the production of such reporting was still limited to the areas of the social contract, public pressure, and organisational legitimacy (which will be discussed further in the next chapter) (Donaldson, 1982; Patten, 1991).

In 1986, the US issued the Comprehensive Environmental Response Compensation and Liability Act (CERCLA)—also known as the "Superfund"—in an attempt to assign and, in some cases, discharge financial responsibility for the clean-up of contaminated areas. Towards the end of the 1980s, a higher level of consideration for environmental issues started to emerge in the social accounting report scheme; however, this only occurred from 1989, in the wake of the major Exxon Oil Spill environmental disaster in Alaska. The Exxon Valdez oil tanker had struck a reef in the Prince William Sound, resulting in more than 11 million gallons of oil spilling over along Alaska's gulf coast. It is still considered to be one of the worst human-caused environmental disasters in US history. Exxon spent more than $2 billion to clean up and restore Alaska's shoreline environment (Patten, 1992). This major event caused a significant increase in the placing of environmental issues at the core of business operations, to be also treated separately from social issues in company disclosure reporting (Guthrie and Parker, 1989).

In Australia, on the other hand, an increase in the level of consideration towards environmental issues had taken place back in the 1970s; it was associated with a time in which sensitive industries—such as mining, steel, and oil—were being subjected to intense scrutiny and had become targets for conservationist criticism. For example, Broken Hill Proprietary (BHP), the largest Australian mining company, was, at that time, facing pressure in regard to its social and environmental impact. Later, disclosure levels declined, remaining relatively low in the 1980s (Guthrie and Parker, 1989). An agenda of corporate disclosure similar to those of the UK and the US was found in Australia, featuring specific information relating to issues such as human resources, community involvement, and the environment; however, the number of pages within Australian annual reports was comparatively smaller than that found in those published in the US and in the UK (Guthrie and Parker, 1990).

2.2.4 *Environmental reporting – the 1990s*

In the 1990s, a series of major environmental disasters—both natural and man-made—raised awareness among businesses, governments, academics, and the general public worldwide (Patten 1992; Gray et al., 1996; Walden and Schwartz, 1997). These

included, for instance, a number of hurricanes in the Pacific, Atlantic and North Indian Oceans, a high magnitude earthquake in the Philippines and Kobe, Japan, and an oil spill resulting from the war in the Persian Gulf. Global concern about environmental issues reached a level sufficient to place them at the core of business operations and of the political agenda (Guthrie and Parker, 1989; Patten 1992). It was during this period that companies, mostly in developed countries, appeared to disclose increasing levels of environmental information. In the case of the Alaska oil spill, the studies found that both the quality and quantity of environmental disclosure related to the major incident had increased not just from Exxon but also from other related industries (Patten 1992; Walden and Schwartz, 1997). To support this claim, the suggestion that different industry sectors would experience different levels of societal scrutiny and pressure in the various areas of social and environmental concern was explored by Brown and Deegan (1999), Deegan and Rankin (1996), Wilmhurst and Frost (2000), and others. There was an agreement that industry sector related effects should be observable in response to societal pressure and there was some empirical evidence to suggest that this was indeed the case. The notion that different sectors would experience varying degrees of environmental 'sensitivity' was a common theme (Wilmhurst and Frost, 2000). On the other hand, there was a growth of empirical studies within the environmental context in response to media attention (see, for instance, Deegan and Gordon, 1996, Brown and Deegan, 1999, Wilmshurst and Frost, 2000, Tilling and Tilt, 2010). Studies used local, regional, and national media as indicators of public pressure in relation to an organisation's legitimacy. These studies uncovered a relationship between the levels of negative media attention on environmental issues and the positive levels of corporate annual report disclosure. This research suggests that society will most often become aware of corporate conduct, especially in relation to environmental issues, through the media.

The focus remained on environmental issues but, for some years, was mainly limited to those linked to pollution (Gray et al., 1993). In addition, the environmental debate led to the realisation that human actions could also harm and damage natural resources across national boundaries. This also drove public concern regarding the impact of environmental matters on social and economic issues and their connection to them. For instance, environmentally unaware societies face many additional costs related to waste management and healthcare services and also experience a negative

effect on the costs of raw materials—such as water, natural resources, and energy—which are essential for daily business operations. Lewis et al. (1995) suggested that there was "a need for the environment to be valued as part of the economic process in order to move towards sustainability". However, it was not until the very beginning of the 21st century that the notions of sustainability and sustainable development became recognised despite having been introduced by the World Commission on Environment and Development: Our Common Future, also known as the Brundtland Report, way back in 1987 (Brundtland Report, 1987).

2.3 The large scale development of sustainability reporting in the 21st century.

In the late 1990s, the phenomenon of globalisation was one of the most important points to have been added to the CSR/sustainability agenda. Businesses could benefit from the fact that the exchange of people, goods, and services across national boundaries had become considerably easier. Moreover, advanced technologies enabled the transportation and communication barriers to be considerably reduced. As a result of these factors, we saw a significant economic growth led by multinational corporations (MNCs) investing in foreign countries and benefiting from the lower costs of raw materials and labour. On the other hand, there is an argument that states that globalization may have negative consequences. There have been, for instance, a dramatic increase in the exploitation of natural resources—such as oil, minerals, and gas—a lowering of working conditions standards, infringements of human rights, and poverty issues; these appear to be driving concerns in regard to social and environmental matters (OECD, 2007).

At the beginning of the 21st century, the term 'sustainable development'—which had been introduced in 1987 by the Brundtland Report—became popularised to indicate "development that meets the needs of present generations without compromising the ability of future generations to meet their own needs" (Brundtland Report, 1987: p.9). In accordance with the Brundtland definition, it can be assumed that economic activities taking place today tend to lower the prospects of future generations by damaging the global ecosystem on which human society and the economy are based.

Thus, not only do sustainable businesses recognise that corporate growth and profitability are important, but they also operate in the interest of all current and future stakeholders in a way that supports environmental and social needs, specifically those relating to sustainable development. It is therefore important for organisations to balance their environmental, social, and economic sustainability within the boundaries of their business objectives and operation. Based upon this, the management of many corporations has appeared to show its support by combining the environmental socio-cultural and economic dimensions of sustainability. As shown in a survey conducted in 2011 by KPMG, 60% of company managements declared that they were adopting working strategies for corporate sustainability (KPMG, 2011). They also believed that embedding sustainability considerations into business practices would provide great advantages, either in terms of cost reduction or competitiveness. This concept is often known as 'the business case for sustainability', in which businesses create shared value by combining financial advantages and social and environmental sustainability (Hopwood et al., 2010).

2.3.1   *The business case for CSR/SER*

The business case for corporate social responsibility (CSR) was discussed since the end of World War II, but did not become popular until the late 1960s (see Carroll and Shabana, 2010). Berger et al. (2007) emphasised that organizations have three rationales to adopt CSR practices. First, they do so for a specific, but non-economic, reason called the "social values – led model". Second, they adopt CSR practices for purely economic reasons; CSR is only recognized when it directly links to company financial performance. This is called the "business-case model". Third, they recognize that CSR is a "management philosophy, an overarching approach to business" (p. 144). This broader view recognizes both the direct and indirect relationships between CSR and company performance, and is called the "syncretic stewardship model". However, Schaltegger and Ludeke-Freund (2012:2) noted that a business case for sustainability is different from a conventional economic business case. They stated that "a business case for sustainability results from the intelligent design of voluntary or mainly voluntary social and environmental management and creates a positive business effect based on a distinct management or entrepreneurial activity".

2.3.1.1 The critical views of the business case for CSR/SER

Empirical studies (Adams, 2002; Bebbington et al., 2008) suggested that the benefit of this integrated approach can also be seen in terms of managing and reducing risks, attracting staff and customers, improving brand and reputation, maintaining the license to operate, innovating processes and products, and so on. Porter & Kramer (2006:78) asserted that the adoption of such practices should be integrated in the core business agenda "in the way most appropriate to each firm's strategy". In this regard, Kurucz et al. (2008) reviewed the literature focussing on the business case for CSR and divided it into four different groups based on value creation. The four groups include: 1) cost and risk reduction; 2) competitive advantage; 3) reputation and legitimacy; and 4) synergistic value creation, i.e. seeking win-win-win outcomes.

Cost and risk reduction

A number of research studies (Griffin and Mahon, 1997; Mahon and Griffin, 1999; Schaltegger and Synnestvedt, 2002; Waddock, 2002; Margolis and Walsh, 2003) demonstrated the relationship between corporate responsibility and financial performance. Vogel (2005) noted that the relationship between CSR initiatives and company financial performance is a characteristic of the 'new world of CSR'. The reduction in costs has been addressed as a key driver for the achievement of corporate sustainability with regard to the adoption of eco-efficient technologies. Such technological change triggers significant improvements in resource productivity, a lower environmental impact, and increased efficiencies in energy and water usage.

Competitive advantage

A number of researchers (Berman et al., 1999; Laszlo, 2003; Jackson, 2004) found that CSR initiatives—in the form of equal employment opportunity policies—had a positive impact on reducing employee turnover rates, on attracting new potential employees and on gaining competitive advantages. Smith (2005:64) supported these claims by proposing that the inclusion of an equal employment opportunity policy would not only reduce employee turnover, but also positively attract new potential investors. He noted that "many institutional investors avoid companies or industries that violate their organizational mission, values, or principles... They also seek

companies with good records on employee relations, environmental stewardship, community involvement, and corporate governance".

Reputation and legitimacy

The business case for sustainability also directly impacts company reputational risks (Zadek, 2000; Bebbington et al., 2008). Previous studies (Bhattacharya & Sen, 2004; Kurucz et al., 2008; Pivato et al.*,* 2008) illustrated that CSR initiatives lead to an enhanced company image in the eyes of customers and prevent potential brand damage. In a 2011 survey carried out by McKinsey and the Economist on senior executives, most respondents considered that embedding sustainability into their companies' business could improve reputation and increase brand value, which positively benefitted them in the long term.

Synergistic value creation: seeking win-win-win outcomes

This approach creates win-win-win outcomes by "seeking out and connecting stakeholder interests, creating pluralistic definitions of value for multiple stakeholders simultaneously" (Kurucz et al.*,* 2008:91). Carroll & Shabana (2010:100) stated that "the win-win perspective to CSR practices is aimed at satisfying stakeholder demands while, at the same time, allowing the firm to pursue its operation". However, instead of focusing on win-win situations, there has been a rise in the awareness of the consequences of win-lose situations with regard to business cases. There are ongoing concerns about exploitation of labour, human rights violations, and environmental destruction in developing countries (see Islam and Deegan, 2008). The growing concerns and awareness expressed by shareholders, consumers, investors, scholars, and so on for a business case for sustainability are driving companies to paying greater attention to, increasing scrutiny of, and reporting on their corporate responsibility.

In term of reporting practice, while the annual report still remains an important mean for the provision of information regarding social and environmental performances and practices (Islam and Deegan, 2008), other formats are increasingly being employed to provide SER information; e.g., stand-alone reports, press releases, company websites, and newsletters (see Guthrie et al., 2008; Adams and Frost, 2004). However, the term

SER has been variously defined and referred to as: corporate social reporting (Beddewela and Herzig, 2013), environmental disclosure (Elijido-Ten et al., 2010), triple bottom line reports (Elkington, 2004), sustainability or sustainable development reporting (Spence and Gray, 2007), and corporate social and environmental disclosure (Deegan et al., 2002). However, it can be argued that connecting the environmental, economic, and social aspects of corporate activity was only the first step in a move towards sustainable development (Unerman et al., 2007).

While the attention shifted toward sustainable development practices, it attracted the attention not only of business organisations, but also of various other parties, such as governmental bodies, non-governmental organisations (NGOs), and the media. At the same time, there was an emergence of a number of initiatives that contributed to the issues of sustainability. As we can see, much guidance on reporting standards and principles has been offered by international organisations; e.g., the United Nations Global Compact (UNGC), the Organisation for Economic Co-operation and Development (OECD), the Global Reporting Initiative (GRI), the International Standards Organisation (ISO), the World Business Council for Sustainable Development (WBCSD), etc. This global initiative was initiated with the purpose of filling a global law and regulatory gap and generating greater accountability. The initial or standard framework also created a benchmark by defining methods for measuring and auditing corporate performance. For example, measuring the energy and water usage involved in a production process could possibly lead to the creation of a niche market for sustainability conscious customers concerned about social and environmental issues. In addition, the initiative promoted organisational commitment and responsibilities related to sustainability issues and provided guidance to assist in preparing sustainability reports.

At the global level, the UNGC was established in 1999 with the main purpose of promoting social responsibility within organisations all around the world (UNGC, 2014). The Global Compact's main principles relate to the areas of human rights, labour, the environment, and the fight against corruption. This global initiative contributed to create a better understanding of the development and implementation of policies and practices pertaining to sustainability and social responsibility.

Similarly, in 2010, to respond to the notion of sustainable development, the ISO 26000 standard was developed to promote an understanding of social responsibility. It is applicable to all types of organisations, regardless of their size, industry sector or geographical location. It encourages businesses to give social responsibilities consideration equal to that given to economic and legal ones. It also helps organisations to conform their business operations to the best practices related to social responsibility. Unlike other ISO standards, the main focus of the ISO 26000 is to provide guidelines for companies to manage their activities, and is not intended for certification purposes (ISO 26000, 2010). In practice, however, based upon the nature of the business and upon specific country contexts, there have been various interpretations of social responsibility. These can possibly cause difficulties for the implementation and development process of the ISO 26000 standard. Besides, the fact that an international organisation developed the broad framework of the Global Reporting Initiative (GRI) can also sometimes itself be considered a difficulty. The GRI guidelines were developed to ensure that the contents of sustainability reports comply with 11 principles—namely: transparency, inclusiveness, auditability, completeness, relevance, sustainability context, accuracy, neutrality, comparability, clarity, and timeliness. As they were developed upon such a wide variety of principles, they may be understood and interpreted by stakeholders in ways which may differ from those to which the adopting organisation wishes to commit (Soobaroyen and Ntim, 2013). Therefore, it is very important for an organisation to adopt and choose the appropriate initiatives that are within its means to implement. Moreover, especially for organisations with limited resources, it would be quite difficult, when preparing their sustainability reports, to include all the considerations of affected stakeholders rather than focussing primarily on those issues that have a high impact on them. Recently, the fourth generation of the GRI's Sustainability Reporting Guidelines (G4) was released in May 2013, providing guidelines for businesses on how to best select sustainability topics. The G4 was also developed to provide guidance to organisations on how to report information that is critical and specifically impacts their business and their key stakeholders (GRI, 2013).

As illustrated above, several guidelines are available for reporting standards and principles; unfortunately, however, all of them are adopted on a voluntary basis. To move towards sustainable development, organisations should be able to provide

explanations for their activities—in terms of both what they are doing and what they are not—in order to fulfil their responsibilities; therefore, the reporting organisations are charged with choosing which standards guidelines are relevant to them and suited to their business operations, and to what extent they are concerned regarding sustainability issues. In practice, while the business sector tends to favour international organisation standard frameworks that are flexible, easy to apply to their core business operations, and translated into languages their employees from other countries can understand, many NGOs and the government sector favour intergovernmental frameworks, as these often specifically prescribe right and wrong actions. As a result, businesses, NGOs and governments each have their own criteria for adopting the standardised frameworks that are more effective for their operations and for the reporting of their sustainability activities.

2.4 <u>CSR/Sustainability practices in different organisational contexts</u>

As seen in the previous section, a variety of sustainability viewpoints provided by international organisations can be adopted and applied to a broad range of different organisational contexts. This section will offer an examination of CSR and sustainability practices in the context of the private sector, the public sector and non-governmental organisations (NGOs).

2.4.1 *<u>The private sector</u>*

At first sight, when reference is made to the term 'Corporate Social Responsibility' it could appear to indicate that CSR is predominantly the focus of and related to large public companies. Large corporations, being well known and widely recognised, can easily gain visibility and public attention in regard to CSR for their business activities. This may include, for example, how they care for the communities and the environment of which they are a part, how they handle social issues and conflicts, and how they treat their employees (Porter and Kramer, 2006). Globalisation has also opened up increasing opportunities for the exposure of corporations to public scrutiny. Accordingly, society's expectations are placing higher demands on how managers should undertake specific corporate actions with regard to social and environmental

issues. Large corporations are administered by managers whose decision making is linked to a variety of different stakeholder groups, such as employees, customers, suppliers, government bodies, local communities, and society at large. Therefore, businesses are increasingly likely to identify and manage the expectations of their respective stakeholders (Adams, 2002; Cormier et al., 2004; O'Dwyer, 2005; Owen, 2008). In the past, we witnessed organisations also being likely to respond to powerful stakeholder groups, such as shareholders, governments, and media. Interest or minority groups appear to be keenly interested in corporate activities; however, corporate management is not as interested in responding to them unless they consider them to be a threat to the company's legitimacy (DiMaggio and Powell, 1983, Oliver, 1991, Tilt, 1994; Deegan and Gordon, 1996). It should be noted that the stakeholder engagement process tends to benefit organisational management in that it enables the direct identification of and access to stakeholder expectations (Unerman et al., 2007). Empirical studies have also suggested that the incorporation of stakeholder interests into the operational decision making process can help companies to achieve greater potential accountability (Gray et al., 1996; Unerman et al., 2007).

Over the past decade, in terms of reporting practices, the focus has shifted from employee reporting to socially related and environmental concerns (Buhr, 2007, in Unerman et al., 2007). To date, CSR practices—especially for large corporations—are normally implemented through formal policies by a CSR committee and are well-structured. These may include, for instance, a code of conduct for employees and suppliers (Kolk and van Tulder, 2002). At least, attempts at self-reporting CSR and sustainability practices help reflect corporate accountability and responsibility and provide stakeholders with opportunities to understand the ways in which companies conduct their activities. Moreover, a number of organisations are looking at the internet as a significant tool through which to engage in dialogues with a variety of stakeholder groups with regard to social and environmental information (Rinaldi and Unerman, 2009).

Over the past decade, the CSR and sustainability issues of multinational corporations (MNCs) have been the object of increasing public attention (Islam and Deegan, 2008; Beddewela and Herzig, 2013; Buccina et al., 2013). In the case of MNCs, due to the availability of cheap raw materials and labour costs, companies have relocated their

production lines and operations to developing countries. Conversely, the main challenges and issues faced by MNCs when conducting their business overseas include low standards of working conditions, workplace health and safety, poor governance, high corruption, child labour and sweatshop conditions, human rights, and environmental protection. These various issues are considered to be social and environmental responsibilities that require MNCs to contribute more towards the sustainability of their overseas operations. These issues also raise the concerns of stakeholders such as customers, global communities, NGOs, and the media, which require MNCs to respond. Accordingly, MNCs react to these stakeholder concerns and expectations through social and environmental disclosure reporting and some form of strategic disclosure. However, their responses appear to be driven more by economic motivations rather than by any ethical reasoning (Islam and Deegan, 2008).

In terms of standardised initiatives, the first international standard to be discussed specifically in the multinational corporation context was that of the Organisation for Economic Co-operation and Development (OECD). The OECD Guidelines for Multinational Enterprises contain recommendations by OECD member governments to multinational enterprises that operate in or from ratifying countries. In 2000, the guidelines established principles similar to those of the UN Global Compact in areas such as employment and industrial relations, consumer interest, the fight against corruption and bribery, taxation, and the environment. The purpose of these guidelines is to encourage multinational enterprises to integrate these principles into their core business operation activities in order to instigate a greater involvement in responsible business conduct within the countries in which they operate. In practice, however, it has been argued that different companies, countries, and regions have different motives and take different approaches to the various issues (Gray et al., 1996). Moreover, there are concerns about MNCs not making employees of their subsidiaries, within their supply chains, or other stakeholders understand or aware of their implemented standards. In the case of sweatshop conditions, for example, the fact that governments of developing countries may refrain from legally prosecuting MNC clothing manufacturers for employing child labour does not imply that child labour is accepted and considered legitimate by stakeholders, including customers from developed countries, funding providers, or NGOs.

In term of Small and Medium Enterprises (SMEs), the policies regarding the implementation of CSR and sustainability practices took an approach different from that of large public entities (Graafland et al., 2003). SMEs, as they are often managed by their owners and are relatively small, are likely to present no separation between ownership and control; thus, their CSR/sustainability practices are of a rather informal nature. Their relationships with employees, customers, and suppliers are considered to be personal ones aimed at building up connection and trust (Banerjee, 2007). The 2004 development of SME accounting standards by the International Accounting Standards Board (IASB) has played a significant role in SME financial reporting. However, many SMEs, and especially those with limited resources, have found it difficult to produce financial reports in compliance with such rules and regulations. This economic factor has also exerted a clear influence over CSR/sustainability reporting practices in the SME sector (Spence and Schmidpeter, 2003).

2.4.2   *The public sector*

The increased awareness of sustainable development issues is not limited to the private sector, but is also taking on an important role in the agendas of government and public bodies. As illustrated above, research has found that governments play a critical role in company disclosure of social responsibility information. In addition, compared to those implementing voluntary disclosure, organisations under mandatory disclosure requirements, such as governments or state-owned companies, do provide more social responsibility information (Ratanajongkol et al., 2006; Wang et al., 2012). Globally, governments still play a significant role in the provision of public goods and services such as healthcare, education, transportation, energy, water, and natural resources. As these facilities are essential to daily life, the execution of government operations, compared to that of large corporations, has a more direct impact on society at large. Consequently, the requirements and levels of attention placed upon government bodies and linked to the sustainable conducting of these operations have been increasingly relevant.

The process for the adoption of CSR practices in the operations and reporting activities of public bodies is similar to that of the private sector. However, the topics

or issues disclosed in the reports of the former appear to be more broadly concerned with aspects such as poverty, housing and healthcare programmes, natural resource management, water and sanitation programmes, the rehabilitation of land through local participation, and the fight against corruption. Besides, many active government organisations also make attempts at promoting CSR within their spheres of influence (Crane et al., 2007). For instance, the United Nations Global Compact (UNGC).

2.4.3 *Non-Governmental Organisations (NGOs)*

Over the past decade, the role played by NGOs has been described as that of a 'watchdog', raising public awareness of practice misconduct and demanding more responsible activities. Such issues as improving the quality of life—including education and healthcare—safeguarding human rights, promoting good governance, and protecting the environment have been set to be the concerns and objectives of NGOs such as the Red Cross, Greenpeace, the Human Rights Watch, Oxfam and World Vision. Moreover, NGOs have set out the standards and framework with the public sector in order to promote sustainable development. For example: the Global Reporting Initiative (GRI), a partnership of US based NGOs; the Coalition for Environmentally Responsible Economies (CERES), and the United Nations Environmental Programme (UNEP).

On the other hand, regulatory frameworks specifically aimed at holding NGOs to account and reporting their practices are generally absent. With their increasing growth and visibility, therefore, NGOs are increasingly subject to public demands to show how they manage their activities and improve their responsibility and accountability towards their sponsors and beneficiaries—the very people on whose behalf NGOs claim to operate (Unerman and O'Dwyer, 2006).

2.5 <u>Differences between Social and Environmental Reporting (SER) practices in developed and developing countries</u>

2.5.1 <u>*Developed countries*</u>

Originally, CSR emerged in the US. American society has traditionally been fairly relaxed in terms of regulatory frameworks, featuring low levels of industrial democracy but a strong culture of individualism. Due to this, in the US approach, corporations have always been expected to play an important and leading role in contributing to CSR. Given this active role historically played by US corporations (Abrams, 1951), issues such as employee rights, welfare and healthcare, philanthropy, or community services are commonly discussed and are high on the agenda of corporations when they make their business decisions. US companies consider philanthropy to be a priority more than their British counterparts do (Crane et al., 2007: p.13). A typical example is the Ford Foundation, established in 1936 by the Ford Motor Company; it became the world largest philanthropic institution, dedicated to the advancement of human welfare. Since laws and regulations have not had a significant influence upon CSR practices within US companies, the initiative to address important social and environmental issues through CSR policies and disclosure came from the companies themselves (Banerjee, 2007). However, most US companies engaged in CSR practices as an extension of their core business values, to publicise their organisational culture. The values that drive the CSR approach are commonly known in US norms. In previous studies, an attempt was made to find the relationship between CSR activities/disclosure and company performance. The results, however, showed that not only profitability, but also company size, industry sector, and public pressure have a significant impact on the level and extent of company disclosure (Bowman and Haire, 1975; Ernst and Ernst, 1978; Preston, 1978; Cowen et al., 1987; Patten, 1991).

Conversely, in Europe, governments, regulatory authorities, and trade unions have traditionally set up an institutional framework for businesses through governmental policies and collective actions. Many social issues that US companies would typically address under CSR, such as employee rights, environmental protection, education, and medical welfare, are subject to European Community laws and regulations or

have traditionally been considered to be the responsibility of governments (Matten and Moon, 2008); an instance of this is the Scandinavian welfare state.

Furthermore, such heightened emphasis on environmental issues can be seen in the development of the European Union regulations on environmental policies: the Commission's 5th Action Programme on the Environment was accordingly entitled "Towards Sustainability". This was a regulation that required participant nations to protect environmental resources and prevent any harmful action that could lead to environmental degradation and spoilage. It also required companies to pay penalties for any environmental damage caused and make provisions in their accounts for potential environmental risks (Bebbington et al., 2008). Additional developments of an environmental nature included environmental audits; the European Union's Environmental Management and Audit Scheme (EMAS) emerged in 1993. The key objective of the EMAS was to encourage companies to set their own environmental performance goals, develop the required management systems and provide information for processes aimed at achieving those goals. To improve accountability on environmental reporting, this scheme involved an attempt to clarify report information with regard to reliability and trustworthiness, as all the information would be required to be verified by external auditors (Gray et al., 1996). At the same time, some empirical studies were carried out to examine the issues related to the quality and credibility of social and environmental information; what is commonly known as 'social and/or environmental auditing'. These were followed by a number of studies focussing upon the area of corporate transparency and accountability through social and environmental disclosure (Harte and Owen, 1991; Gray et al., 1996). Until recently, the European and US contexts still showed differences over CSR issues, especially environmental concern topics such as global warming or carbon emissions (Doh and Guay, 2006).

In the UK specifically, there was an increasing concern with corporate responsibilities and their relationship with society in the mid-1970s. One of the most important contributions in this context was provided by The Corporate Report (Accounting Standards Steering Committee, 1975). It was at this point that the term 'social contract' was first introduced, although it did not emphasise, but merely underlined the related issues (ASSC, 1975). For example, the report proposed to focus upon the

responsibility of corporations to publicly report information regardless of whether or not this was required by the laws or regulations to which they were accountable. This was also considered to be the starting point for CSR as "It is tempting to propose that entities disclose information which will show their impact on and their endeavours to protect society, its amenities and the environment" (p. 113). Later on, there was a significant change in the political agenda and practices, notably during the Thatcher government period, which witnessed a reduction of state involvement in delivering standard goods and services to citizens. Most governmental functions, including the supply of water and energy, the healthcare service or public transport and infrastructure, were privatised (Gray et al., 1996). In general, although the government surrendered these functions to the private sector, it retained the responsibility of guaranteeing the right of citizens to certain standards of goods and services. Hence, the private sector faced demands to be accountable to the public regarding the quality and responsibility of their services and to provide explanations for their activities. Eventually, only large companies appeared to increase the disclosure of their business activities (Gray et al., 1995).

In the development of globalisation, the reduction of trade and capital barriers and improvements in transportation and technology have made it possible for MNCs to relocate their production lines to countries that offer cheaper labour costs. As illustrated above, conflicts exist between the need for economic growth and social and environmental development issues. We have witnessed problems such as environmental degradation, low working standards, infringements of human rights, use of child labour, and corruption. This has caused the social and environment issues deriving from the MNCs' overseas operations to predominantly become the leading concerns in the global CSR context (Crane et al., 2007). Most research studies have focussed on various MNC practices. The areas investigated include comparisons between the CSR/sustainability practices, including reporting ones, of MNCs in their home countries and those of their subsidiaries, as well as the influence of MNC headquarters and their social responsibility over and accountability within their supply chains. Further details of the empirical studies on these issues will be discussed in the developing countries section.

Empirical studies have also suggested that the incorporation of stakeholder interests into the operational decision making process can help companies in achieving greater potential accountability (Gray et al., 1996; Unerman et al., 2007). In the past, we witnessed organisations also being likely to respond to powerful stakeholder groups, such as shareholders, governments, and the media. It should be acknowledged that interest or minority groups appear to be keenly interested in corporate activities; however, corporate management is not as interested in responding to these interest groups unless they consider them to be a threat to company legitimacy (DiMaggio and Powell, 1983, Oliver, 1991, Tilt, 1994; Deegan and Gordon, 1996).

2.5.2 *Developing Countries*

As we have seen, most of the early existing studies in the social and environmental accounting literature were carried out in developed countries and regions, such as the US, the UK, Europe, Australia, and so on (Hogner, 1982; Patten, 1992; Gray et al.,1995; Adam, 2002; Bebbington et al., 2009). Until the past decade, when they began to emerge in developing countries, CSR and sustainability were only perceived to be important issues in developed nations. However, the fact that many MNCs rapidly expanded their operations into developing countries in order to benefit from the lower labour and raw material costs made these countries attractive, with regard to social and environmental issues, not only to the business sector but also to researchers (Gray et al., 1996; Islam and Deegan, 2010).

First, it may be worth mentioning that the ways in which MNCs can potentially contribute to the development goals of developing countries can take the form of providing local employment, making their business infrastructure available to these countries' populations, providing opportunities to local businesses through their supply chain needs, and providing the local governments with tax revenue (Belal et al., 2013: p.83). Due to a lack of financial resources, most developing countries tend to become structurally dependent on MNC business. Therefore, local governments are placed under pressure to provide MNCs with a less restrictive legal and regulatory framework in order to attract foreign investment, secure employment, gain tax revenue and thus accomplish their development goals. It can be argued that the strict

enforcement of laws or regulations aimed at improving the lower levels of income, working conditions, and health and safety standards would result in substantial employment losses in a given country. This would occur as the business would be likely to relocate to other countries that might offer a more lax legal and regulatory context and therefore provide cheaper operation costs (Powell and Zwolinski, 2012). On the other hand, the desire for development inevitably also results in negative social and environmental consequences. MNCs are confronted with massive problems, including those related to CSR and sustainability issues: the effects of climate change, environmental degradation, poverty, human rights violations, child labour, corruption, and social exploitation. Consequently, these concerns have been the main and popular topics of the previous research studies that have examined MNC subsidiaries (Gray et al., 1996; Belal and Owen, 2007; Islam and Deegan, 2008; Beddewela and Herzig, 2013; Buccina et al., 2013). The MNC subsidiaries' disclosure of social and environmental information is driven by their headquarter companies in developed countries, which mainly provide instructions for the subsidiaries' operations (Belal and Owen, 2007). The results showed that MNC subsidiaries tend to focus upon global expectations in order to increase their legitimacy with respect to society at large, rather than with their local stakeholders. Further, these studies also suggested that MNCs are likely to provide different types of social and environmental disclosure content to different stakeholders. Based upon the studies by Islam and Deegan's (2008), Beddewela and Herzig's (2013), Buccina et al.'s (2013), it can be seen that organisations attempt to manage their relationships with their powerful stakeholders. They tend to respond to powerful stakeholder demands in order to ensure their continued support while downplaying relatively those of less important ones, such as local communities. Similarly to what was shown by empirical studies conducted in developed countries, organisations are also likely to respond to powerful stakeholder groups who have an influence on SER practices—e.g., customers, lenders, investors (Cormier et al., 2004), governments (Deegan and Rankin, 1996; Neu et al., 1998), and the media (O'Donovan, 2002)—with little concern for local communities and interest groups (except Tilt, 1994).

Despite all this, however, the research on social and environmental reporting in emerging and developing countries is still limited (Belal and Owen, 2007; Islam and Deegan, 2008), despite the increased interest in SER shown by local organisations

(Ratanajongkol et al., 2006; Belal and Owen, 2007; Amran and Devi, 2008; Islam and Deegan, 2008; Elijido-Ten et al., 2010; Mahadeo et al., 2011; Soobaroyen and Ntim, 2013). The evidence suggests that specific subject matters that are predominant in developed countries have not had any impact on CSR practices in developing nations—e.g., changing political circumstances, as in case of Hong Kong when it was handed over to China (Gao et al., 2005)—or appear to be considered in the reporting theme at various points in time—e.g., employee issues related to HIV/AIDS in South Africa (Soobaroyen and Ntim, 2013) and environmental issues in Mauritius (Mahadeo et al., 2011). Conversely, similar aspects of decreasing and/or no disclosures were found in reporting practices in both developed and developing countries (O'Donovan, 2002; O'Dwyer, 2002; Solomon and Lewis, 2002; de Villers and van Staden, 2006; Belal and Cooper, 2011). Therefore, further investigation into the motivations underpinning the initiation and provision of corporate reporting behaviours is required to ensure that a specific country's context is considered and examined. Belal et al. (2013: p.82) also suggested that the socio-economic realities of emerging and less developed countries appear to vary. Understanding the socio-economic factors, including the role played by different stakeholder groups—such as the media, NGOs, local communities, employees, consumers and suppliers and so on, as perceived by an organisation's management—can provide an insight to understand corporate attitudes towards the undertaking of social and environmental disclosure in developing countries.

2.5.3   *Asia and South East Asia*

Previous studies showed significant increases in social and environmental disclosure largely related to MNCs within the Asian region, such as China, Bangladesh, Japan, Hong Kong, Sri Lanka, Singapore, South Korea, and Malaysia (Lu, 2002; Gao et al., 2005; Belal and Owen, 2007; Amran and Devi, 2008; Islam and Deegan, 2008, 2010; Elijido-Ten et al., 2011; Beddewela and Herzig, 2013), however, these did not necessarily lead to better social and environmental performances (Belal et al., 2013). This was possibly due to a lack of interaction within the industrialisation effort and to an inefficient governmental control. Similarly to what had been shown by empirical studies conducted in developed and developing countries, organisations are also likely

to respond to powerful stakeholder groups who have an influence on SER practices—e.g., shareholders and investors (Ratanajongkol et al., 2006), governments and regulators (Amran and Devi, 2008; Ip, 2009), and the media (Islam and Deegan, 2008, 2010; Elijido-Ten et al., 2011). The Asian approach to CSR or sustainability practices is quite unique; some issues that are the most disclosed in the developed world may not be exposed at all in these regions. This is due to a longstanding historical heritage and to philosophical and religious beliefs. For example, the relationship with suppliers is often based upon cultural norms of trust, rather that upon codes of conduct or a structural governance system (Johnson and Scholes, 2002:199). Charity donations or achievements of merit motivated by religious tenets are considered not necessary to be disclosed under Asian culture.

In recent times, some emerging countries, such as India and China, have seen a significant economic growth, driven by both the private and government sectors. In China, many large organisations that regularly provide goods and services to citizens are still owned and controlled by the government; therefore, the concern with organisational responsibility and accountability has been raised along with the increased rate of employment and economic activities. Just as is the case in many developed countries, the top management is typically seen as a key player responsible in regard to social and environmental matters within corporate activities (Crane et al., 2007). In Asia, issues of corporate misconduct, corporate governance, transparency, and corruption often lead to social and environmental problems (Belal and Owen, 2007; Belal et al., 2013). One example is the use of child labour and the poor working conditions found in the garment industry in Bangladesh. A recent case occurred in China, where a business scandal involving contaminated food and baby products led to loss of life. Government actions took the form of product recall, penalty fines, arrests and even executions of top management and corrupt officials (Ip, 2009).

In Southeast Asia, after the 1997 financial crisis, there have been growing concerns in regard to the issues of structural weaknesses in the economy and banking system, accounting frauds, corruption, and corporate governance and regulatory failures. The International Monetary Fund (IMF) and the Asian Development Bank (ADB) have played a significant role in supporting and facilitating the economic reform process.

This help has taken the form of financial aids, the initiative standard framework, and the promotion of the improvement of corporate governance in order to restore international confidence in this region. The ADB (2000) investigated the corporate governance structures of individual countries—namely: Indonesia, South Korea, Malaysia, Thailand, and the Philippines—and found that corporations in Southeast Asia have very unique settings and characteristics. The prevalent common elements are family-control based systems with high ownership concentration. Prior researches (Belal and Owen, 2007; Warr, 2007; Prayukvong and Olsen, 2009; Elijido-Ten et al., 2011) also suggested that a lack of stakeholder rights, a low degree of public and NGO pressure, a lack of transparency, and a high level of influence of religious considerations have been widely found in the corporation practices of the Southeast Asia region. These factors are translated into region-specific approaches to CSR and reporting activities. A voluntary disclosure approach towards social and environmental issues is likely to be seen as a form of strategic communication, which tends to be self–laudatory, or as a public relation tool used in response to those issues that have attracted the largest amount of media coverage (Elijido-Ten et al., 2011). In addition, the challenge still remains for companies in the ASEAN region to engage with the global standard framework initiative. According to the 2010 GRI-Report List (GRI, 2011), only 25 ASEAN companies have published a GRI report, compared to 320 Asian and 1,265 globally listed ones. A breakdown by country in the ASEAN Region shows the following distribution: the Philippines (9), Malaysia (7), Singapore (5), Thailand (3), and Indonesia (1). However, a trend towards improvement has been noticed.

2.5.4   *Thailand*

In Thailand, the introduction of CSR can be seen in the efforts made by multinational companies to align the business strategies applied to local CSR activities to mirror those prevalent in their global operations. MNCs have established better working environments and fair labour standards, more resilient stakeholder relationships, smoother management and, lastly, heightened corporate social engagements. However, the limited government and investment support, together with competition in the labour market, have created financial condition issues in the business sector. As a result, the studies found little emphasis on corporate social and environmental

achievements in the Thai context. Social and environmental disclosures were only contextualised and evaluated against the backdrop of the severe social and environmental problems which companies faced during specific periods of time (Kuasirikun and Sherer, 2004); for example, the severe air pollution which occurred in the Mabtaphut industrial estate in 1997. It was during this period of time that the environmental reporting theme was also largely developed, especially in industrial countries; however, no study has examined the connection between the development of environmental concerns in developed nations and this local incident.

Furthermore, Thai social and environmental awareness is generally low compared to that of developed countries, where it is well established and acknowledged (Kuasirikun and Sherer, 2004; Ratanajongkol et al., 2006; Warr, 2007). Another important aspect is that many believe that Thailand is still lacking in consumer demand for socially and environmentally responsible businesses, whereas the drive for CSR in developed countries was stimulated by a strong consumer movement demanding ethical business practices, backed by a history of consumer rights campaigns and advocacy (Vichitvadakan, 2002: p. 20; Vimolsiri, 2010). With no such demands being placed on businesses, a lack of strong, legitimate consumer rights groups raising awareness, and the absence of legislation enforcing or encouraging corporate responsibility, limited attention is paid to CSR related issues in the Thai corporation's agendas.

Moreover, having only been introduced in the past few years, the knowledge pertaining to CSR/sustainability is rather fresh and new to Thailand. Previous studies showed that, among Thai listed companies, CSR was understood in terms of corporate giving and charity in favour of organisations supporting causes linked to social and educational disadvantage (Sukcharoensin, 2012). It can be argued that this interpretation may have been nurtured by the country's prevailing Buddhist beliefs and practices, which are one of the most commonly mentioned factors affecting CSR practices in Thailand (Prayukvong and Olsen, 2009). Nelson (2004) also discussed how the ethical influence of Buddhist beliefs contribute to explaining Asian organisations'—including Thai ones—social and environmental commitments and CSR practices. From this perspective, a fundamental elevating factor are the Thai

Buddhist traditional practices of giving and of merit making, which are usually accomplished through philanthropy, charity, and sponsoring. Moreover, some countries in the South East Asian Region—e.g., Indonesia and Brunei—also hold strong Muslim traditions and beliefs. Gill (2011: p.1) argues that Islam provides guidelines for life and has significant impacts on the behaviour of businesses. From these arguments, it can be implied that companies in the ASEAN region have integrated societal and religious values into their business practices. This finding also supports Visser's (2008) statement about business people in developing countries concentrating on philanthropy.

The lesson learned from developed countries and some developing ones is that most of the motivation for corporate disclosure of CSR activities comes from 'external or outside forces' such as government regulations, professional body standard frameworks, media attention, industry pressure, and MNC practices. However, the number of studies within Thai local companies related to CSR/sustainability issues is still very limited. To ensure that the Thai context is considered and examined, further investigation into the motivations underpinning the initiation and provision of corporate reporting behaviours is required.

The results of this PhD study are intended to provide an additional perspective on the social and environmental reporting literature from developing countries, and Thailand in particular. It also intended to capture the dynamics of stakeholder and organisation relationships in regard to SER given in this research's findings. By taking into consideration the specific Thai context and the country's unique characteristics—such as its religious and monarchical values—will shed new light on the motivational factors underpinning SER. Buddhism and monarchical values are thought to influence in the way in which Thai people carry out their daily practices. This PhD study will discuss the relevance, or lack thereof, of such unique characteristics in the undertaking of SER practices in the Thai context. The outcomes of this research will improve our knowledge about the motivational factors underlying SER and will improve the chances of successfully promoting and ensuring the effectiveness and relevance of sustainability reporting in Thailand and, possibly, in developing countries across the board.

Moreover, previous studies carried out in developed countries on topics relating to SER were likely to focus exclusively on economic rationales, while downplaying the socio-cultural environment. A number of research studies (Gao et al., 2005; Mahadeo et al., 2011; Soobaroyen & Ntim, 2013) also suggested that the specific aspects predominant in developed countries had no impact on CSR practices in developing nations. Therefore, this research will take the socio-cultural environment into consideration in respect of its various components of culture, language, religion, and/or form of government. Thus, the outcomes of this research study are expected to provide an insight into the corporate motivations underpinning the undertaking of social and environmental disclosure and will help translate CSR/SER related policies into best practices within developing countries. This could be very important as it would lead to higher efficiency in the development of CSR/SER related policies in Thailand and, hence, lead to achieve effective policy making within the ASEAN Community context.

2.6 <u>Summary</u>

As we have seen, most of the early studies in the discipline of social and environmental reporting were carried out in developed countries. Over the last decade, CSR and SER issues began to emerge in developing countries and were perceived to be relevant. Research studies have started to examine and investigate the underlying issues which affect CSR and reporting practices within developing countries. In the Asian region, however, empirical studies of CSR and SER practices are still limited to issues related to the activities of MNCs in their overseas operations. In Thailand, the awareness of and response to CSR/sustainability issues, including SER practices, can be largely seen in the efforts made by MNCs, whereas those adopted by local Thai companies seem to be underdeveloped and not well established. In reviewing the existing literature, this is still unclear, as no up-to-date research study has successfully covered current SER practices in the local Thai company context. This gap in the literature can be addressed by gaining an understanding of the economic, social and political context; this can provide an insight into the corporate attitudes and motives towards the undertaking of social and environmental disclosure in Thailand. In

investigating CSR reporting in the Thai context, with its unique characteristics, the focus of this PhD research takes into account the notion that CSR/sustainability, including reporting practices and initiative standard frameworks, was previously mainly drawn from developed countries; this may translate into shedding new light in the CSR/SER areas and contribute to the advancement of the existing literature.

In addition, Thailand joined the ASEAN Economic Community (AEC) in 2015. The areas of AEC cooperation include: human resources development, quality of life and social safety improvement, consultation on macroeconomic and financial policies, trade financing measures, infrastructural and logistical development, and the integration of industries across the region to promote regional sourcing. The AEC is transforming the ASEAN into a region with free movement of goods, services, investment, skilled labour, and a freer flow of capital (ASEAN, 2009). For instance, companies are able to operate anywhere without tariffs on the shipment of their products to any other member country. This offers a rich setting in which to investigate how management undertakes specific corporate actions to manage society and stakeholder expectations and how the influence of external and internal factors has changed the attitude of local Thai Companies towards CSR and SER practices.

From all of the above, the main purpose of this PhD study is to seek to understand the motivational factors of Thai organisations to initiate social and environmental reporting. To address this research aim, the three research objectives are examined in terms of the following objectives:

- To investigate Thai companies' attitudes towards SER practices.

- To understand the reasons behind Thai companies initiating SER practices.

- To provide an insight into how the influence of external and internal factors has an impact on the undertaking of SER practices in the Thai context.

This chapter reviewed the existing empirical research within the related social and environmental reporting field in order to provide the background knowledge of this study. The theoretical literature, highlighting the relevant theories that were adopted

by previous studies, will be presented in the following chapter, including the detail of key theoretical framework used in this PhD study.

Chapter Three: Theoretical Framework

3.1 <u>Introduction</u>

In the previous chapter, the gap in the empirical literature focussing on local Thai companies with regard to SER practices was identified and the research aim and objectives were introduced. The existing research largely focussed upon the issues relating to multinational companies and their overseas operations; whereas studies in the Thai local company context remain underdeveloped. Therefore, this PhD aims at understanding the motivational factors of Thai listed companies to initiate social and environmental reporting.

This chapter is going to focus upon the theoretical literature, with the main purpose of developing a theoretical framework that will help to understand and explain what is going on with regard to SER in Thailand. In order to achieve the research aim and objectives, this chapter seeks to review the theories that have been used in relation to corporate social and environmental reporting and to evaluate the extent to which the theoretical perspective has (or has not) provided an explanation for SER in previous studies.

This chapter is divided into seven sections. The first contains an elaboration of the theories and of their perspectives; this includes political economy theory, stakeholder theory, social contract, legitimacy theory, media agenda setting theory, (neo) institutional theory, resource dependence theory, and agency theory. After a careful review of the contributions and limitations of the existing theoretical literature, the second section presents stakeholder identification and salience theory as the explanation lens which was adopted to carry out the analysis in this PhD study. A further discussion is also conducted, providing a comprehensive view of the stakeholder identification and salience theory. The third section presents the theoretical framework, drawing specifically from Mitchell et al.'s (1997) model of stakeholder salience. This includes an in-depth explanation of stakeholder salience through an exploration of the key attributes of power, legitimacy, and urgency. The fourth and fifth sections present the interrelation between the various stakeholder

attributes and stakeholder categorisation, which is used to analyse and better understand the reasons underpinning the SER practices of Thai companies. The sixth section present the role played by managers within the theory framework, and is followed by the seventh section, which recaps the conclusions of the chapter.

3.2 <u>A broad overview of the existing theories that have been evaluated and investigated in social and environmental disclosure studies</u>

This section focusses on the key theories that have been largely employed within the existing SER literature. Researchers have used various alternative theories to provide explanations and interpretations to justify the practices of CSR reporting. However, each theory offers different theoretical perspectives. Therefore, in this section, the discussion is based on the theoretical concepts, including their contributions and limitations, and on how they helped to develop this PhD's theoretical framework in particular.

3.2.1 *Political economy theory*

The main concept of political economy theory is that political, economic, and social contexts cannot be studied in separate frameworks (Guthrie and Parker, 1990; Gray et al., 1995). Political economy, described as "the social, political and economic framework within which human life takes place" (Gray et al., 1996: p.47), provides a broader view of the relationships that occur within this framework. In terms of accounting, it can be suggested that accounting social activities represent the economic interactions with the social and political structures of society. Corporate reporting, as part of an accounting system, can be perceived as a "social, economic and political document" used as by organisations an instrument to "construct, sustain and legitimise political and economic arrangements, institutions and ideological themes which contribute to the corporations' private interests" (Guthrie and Parker, 1990: p.166). According to this perspective, it can be suggested that corporations use social disclosure as a pro-active attempt to provide information regarding their own self-interest in order to sustain the system as a whole in the long run.

Gray et al. (1996: p.47) offered two variants of political economy theory, namely: "classical" and "bourgeois". The Marxist perspective of classical political economy places "structural conflict, inequality and the role of the state" at the heart of the analysis. Bourgeois political economy, by contrast, largely ignores and excludes these factors from the analysis. Bourgeois political economy appears to accept the world, in terms of it being essentially pluralistic, as a given. Further, Gray et al. (1996) argued that classical political economy can be employed to provide an insight by which to explain mandatory disclosure rules as a means by which the State imposes some restrictions onto corporations. On the other hand, it could be considered that the provision of voluntary disclosure by corporations may be an attempt on their part to avoid or delay further regulation or legislation (Adams et al., 1998; Gray et al., 1995, 1996). Some research studies (Tilt, 1994; Adams et al, 1998) are concerned with the existence of inequalities within socio-political and economic systems and suggest that the social structure tends to be valued and controlled by the power of large organisations. Therefore, social accounting can be used as a means to reflect conflicts, especially those occurring around the issues of capital and other social interests such as, for example, environmental groups (Tinker et al., 1991: p.46-47).

The political economy perspective provides a broader point of view that involves external factors, such as social, economic, and political ones. It focusses on the subject or the pattern of disclosure or lack thereof, as it was discovered that, for instance, "management has a predisposition towards selective disclosure policies, suppressing information on some major social impact events" (Gray et al., 1996:158). On the other hand, political economy is found wanting when it is used to explain internal factors, such as corporate characteristics and management attitudes towards CSR practices and reporting (Patten, 1991; O'Donovan, 2002).

However, it can be argued that there are various theoretical perspectives and that each theory provides a slightly different insight and useful framework for researchers to refer to in studying CSR practices (Deegan, 2002). Moreover, Gray et al. (1996: p.49) commented—with reference to the stakeholder, legitimacy and political economy theories—that "they are not as yet fully fledged theories in CSR but provide useful frameworks within which to study the developing practice of CSR". With regard to this viewpoint, these three theories are seen to be complementary and overlapping in

terms of their approaches. When seeking to explain CSR practices in Thailand, the social, political, and economic contexts should be consider together with management attitudes to provide a more refined and comprehensive view. Therefore, this brings the discussion to the similarities and distinctions between other theories which may be useful to explain CSR practices and reporting—namely: stakeholder theory.

3.2.2 *Stakeholder Theory*

3.2.2.1 Stakeholder **definition**

The literature review has highlighted various attempts to provide the meaning or definition of stakeholder. The definitions provided range from broad and inclusive to narrow and focussed ones. At one end of the spectrum, there is a very broad and inclusive definition that includes any individuals or groups linked to an organisation as stakeholders, regardless of the formal relationship they have with the organisation itself. For example; the most widely cited—and one of the broadest—definitions proposed by Freeman is: "any group or individual who can affect or is affected by the achievement of the organisation's objectives" (1984: p.46). According to this definition, managers should consider the interests of all those individuals or groups who can affect or be affected by an organisation's actions. This inclusive view is consistent with the ethical or normative branch of stakeholder theory, which holds that all stakeholders have the right to be treated with equal fairness by an organisation (Deegan and Unerman, 2011: p.349). From this perspective, in managing their organisations, managers should consider the interests of all stakeholders, rather than only those of the groups that wield economic influence. This definition of stakeholder is also consistent with the concept of accountability, which requires organisations to be accountable for their activities. Gray et al. (1996: p.38) defined accountability as "the duty to provide an account (by no means necessarily a financial one) or reckoning of those actions for which one is held responsible".

At the other end of the spectrum are narrow views that argue that, in practice, managers are unable to take all possible stakeholders into account. Donaldson and Preston defined stakeholders as "persons or groups with legitimate interests in

procedural and/or substantive aspects of corporate activity" (1995: p.85). From this perspective, to be considered a stakeholder, an entity must have a legitimate claim on an organisation. At the same time, it is important for organisations to assess their stakeholders' needs in attempting to manage and respond to their demands. Hence, these stakeholders need to be managed to ensure their continued support in the achievement of the organisation's objectives. This is related to the managerial branch of stakeholder theory, as proposed by Gray et al. (1996: p.46): "The stakeholders are identified by the organisation of concern by reference to the extent to which the organisation believes the interplay with each group needs to be managed in order to further the interests of the organisation. (The interests of the organisation need not be restricted to conventional profit-seeking assumptions.)"

In addition, Clarkson (1995) attempted to classify stakeholders into two categories: primary and secondary. Primary stakeholders are given priority because their support is considered to be essential for the organisation to survive and succeed in the long run. According to Clarkson (1995: p.106), a primary stakeholder is defined as "one without whose continuing participation the corporation cannot survive as a going concern". From this perspective, primary stakeholder groups include shareholders, investors, employees, customers, and suppliers. Moreover, this definition can also be extended to those public stakeholder groups, such as governments and communities "whose laws and regulations must be obeyed, and to whom taxes and other obligations may be due" (p.106), and that provide a corporation with a range of important infrastructures and markets. Conversely, secondary stakeholders are defined as "those who influence or affect, or are influenced or affected by, a corporation, but are not engaged in transactions with the corporation and are not essential for its survival" (Clarkson, 1995: p.107). According to this classification, the media and a wide range of special interest groups are considered to be secondary stakeholders. Although a corporation is not dependent on secondary stakeholder groups for its survival, these are capable of mobilising public opinion with regard to a corporation's performance, and could thus cause significant damage to it. According to Clarkson (1995), it can be said that the more crucial a stakeholder's support is to an organisation, the greater the probability that that stakeholder's expectations will be addressed within the organisation's operations (Ullmann, 1985; Wallace, 1995).

3.2.2.2 A different perspective of stakeholder theory

Stakeholder theory is referred to as system-oriented theory which "focusses on the role of information and disclosure in the relationships between organisations, the State, individuals and groups" (Gray et al., 1996: p.45). It is based on the assumption that an organisation needs to manage its relationship with multiple stakeholders "who can affect, or are affected by the achievement of an organisation's objectives" (Freeman and Reed, 1983: p.91). Based on this definition, shareholders, employees, government, creditors, suppliers, customers, local communities, media, academics, competitors, business partners, activist groups, and so on can be considered to be stakeholders. This underpins the motives that drive an organisation's decision to manage relationships with stakeholders and engage in SER practices, leading to a different perspective of the stakeholder theory.

Donaldson and Preston (1995) provided three perspectives of stakeholder theory: normative, instrumental, and descriptive. The normative variant suggests that management should address stakeholder concerns from an accountability perspective. This viewpoint is similar to that of the ethical branch of stakeholder theory, as suggested by Deegan and Unerman (2011), which contends that management has a responsibility to interact with all stakeholders from an accountability perspective. Regarding to the concept of accountability, these normative and ethical perspectives suggest that organisations have a duty to be accountable for their activities. All stakeholders have the intrinsic right to be given equal consideration by management in its decision process, including their right to be provided with information. SER is viewed as a process aimed at demonstrating accountability and providing stakeholders with an account of the accomplished activities for which an organisation is deemed to be responsible (Donaldson and Preston, 1995; Gray et al., 1996).

On the other hand, the managerial branch of stakeholder theory (Deegan and Unerman, 2011) and its other two variants—namely: the instrumental and descriptive ones, as defined by Donaldson and Preston (1995)—suggest the similar viewpoint that businesses strategically identify and manage the demands of their respective powerful stakeholders (Donaldson and Preston, 1995; Gray et al, 1996; Deegan and Unerman, 2011). This implies that these stakeholders need to be managed in order to ensure

their continuing support of the organisation's operations. From the managerial perspective, SER is seen as a tool employed by an organisation to manage its relationship with its powerful stakeholders. Thus, the information provided by an organisation can be seen as being aimed at the strategic purpose of seeking to ensure the continuation of stakeholder approval for its operations, rather than to actually demonstrate accountability (Deegan, 2002).

In terms of SER practices, stakeholder theory provides a means to uncover the motivations behind management decisions to disclose social and environmental information, and which stakeholder relationships are more worthy of management attention. Further refinement in the identification of who the relevant stakeholders are, as offered by stakeholder theory, is necessary in this study because it could provide an in-depth understanding of the changes taking place in managerial decisions regarding the provision of environmental disclosures, as they are affected by changes in the relevant stakeholders. Organisations will respond to stakeholder expectations in the form of disclosures as a strategy for managing stakeholder relationships. Organisations will disclose information about various activities directly related to the expectations of particular stakeholder groups to show that they are conforming to stakeholder expectations.

Moreover, stakeholder theory could be used to provide an appropriate basis for the reasons behind the absence of disclosure. For example, if, under normal circumstances, it was to be found that there were no stakeholder expectations or pressure for such information, corporations may not effect disclosures; it may also be that the salient (see Mitchell et al., 1997) level and capability of stakeholders were not significant enough to impact such social and environmental disclosures (Neu et al., 1998; Islam and Deegan, 2008). While stakeholder theory appears to be the explanatory theory and provide useful insights into the management's perspective and into the way in which it manages its stakeholders, it neglects concerning itself with the expectations of society in general, as these are linked to legitimacy theory. Therefore, the nature of the overlap between the legitimacy and stakeholder theories, which has been acknowledged in the SER literature, can be more clearly understood (Islam and Deegan, 2008; Tilling and Tilt, 2010; Mahadeo et al., 2011; Soobaroyen and Ntim, 2013).

3.2.3   *Social Contract*

The concept of the social contract was developed by Thomas Hobbes, John Locke, and Jean-Jacques Rousseau back in the 16th century. It provides the basis for the system of governance and political authority (Riley, 1982). The social contract was a radical concept that saw individuals agreeing to accept sets of common rules and their corresponding duties for mutual benefit. Shocker and Sethi (1974: p.67) provided the concept of social contract:

> *"Any social institution—and business is no exception—operates in society via a social contract, expressed or implied, whereby its survival and growth are based on:*
> *1. the delivery of some socially desirable ends to society in general, and*
> *2. the distribution of economic, social, or political benefits to groups from which it derives its power".*

From this perspective, it can be implied that society, in the form of laws and legal regulations, expects organisations to have legal responsibilities separate from profit making when doing their business. It thus forms the laws, rules and regulations to which a company has to conform in all its business decisions and activities. At the same time, society expects organisations to have more moral or ethical responsibility related to social and environmental issues, including their employees' workplace conditions, consumer health and safety, and waste management. Ethical obligations are expected of companies by society but are not required by law to reflect a concern for stakeholder rights. Deegan and Unerman (2011: p.325) also suggested that the concept of the social contract demonstrates "the multitude of implicit and explicit expectations that society has about how the organisation should conduct its operations".

According to the 'social contract', organisations are considered to have no inherent right to resources. To a certain extent, organisations must earn approval to operate by ensuring that their activities are perceived to be 'legitimate' within the context of their social contract. This is consistent with Mathews and Perera (1993: p.26), who stated

that: "The social contract would exist between corporations (usually limited companies) and individual members of society. Society (as a collection of individuals) provides corporations with their legal standing and attributes and the authority to own and use natural resources and to hire employees. Organisations draw on community resources and output both goods and services and waste products to the general environment. Organisations have no inherent right to these benefits, and in order to allow their existence, society would expect the benefits to exceed the costs to itself".

However, the terms of the social contract are not easy to define and managerial points of view about the terms of the contract may vary greatly (Deegan, 2002). The social contract concept has also been employed in the framework of the social responsibility of organisations. Gray et al. (1996) suggested that law and regulations reflect the explicit terms of the social contract while community expectations reflect the implicit ones. In addition, society's expectations regarding organisations can change over time; thus, organisations are also required to adapt and change. If corporate actions are perceived not to comply with this social contract, a legitimacy gap will develop and may threaten an organisation's operation. The term 'legitimacy gap' was coined by Lindblom (1994: p.3): "The legitimacy gap will fluctuate without any changes in action on the part of the corporation. Indeed, as expectations of the relevant public change, the corporation must make changes or the legitimacy gap will grow as the level of conflict increases and the levels of positive and passive support decreases". Sethi (1979) added to this view in suggesting that an organisation operating in the same manner could suffer from those legitimacy problems that can occur when society's expectations of corporate behaviours differ from its perceptions of the same. On the other hand, even if an organisation's actions were in line with society's expectations, the legitimacy gap could still exist. An example which shows that society's perception of business has changed is in its views of the role played by pharmaceutical companies (Sharma and Kiran, 2012). Increasing criticism of their making high profits on people's lives can be witnessed, especially in developing countries. Even though pharmaceutical companies have not changed their activities, they face a significant legitimacy gap due to society expecting them to cut prices, making their products more affordable.

To date, according to the social contract, corporations are required to operate in a manner that is consistent with society's expectations by not only maximising shareholder value but also taking responsibility with regard to the society and environment in which they operate. Companies are expected by society to be more stakeholder accountable and socially and environmentally responsible. In other words, while the main aim of a business is to maximise profits, it nevertheless has the moral responsibility to act in a socially responsible manner (Shocker and Sethi, 1973; Patten, 1992). This approach does not only benefit the organisation in the long term, providing it with a competitive advantage, reducing risk and enabling it to maintain the license to operate, but also benefits a broad range of stakeholders and society as a whole. However, for an organisation to become more accountable requires an engagement process with its stakeholders to identify who each stakeholder is and what its expectations are beyond legitimately established societal ones. By doing so, a company will be able to effectively prioritise its subject matter and adopt strategies and practices suited to meet society's expectations.

3.2.4 *Legitimacy Theory*

Compared to stakeholder theory, legitimacy theory appears to be concerned with the expectations of society as a whole, and is also considered to be a system-oriented theory that considers organisations to be part of the social system, within the concept of the 'social contract'. Legitimacy theory suggests that organisations can only remain in existence and survive if society perceives that there is congruence between organisational and social values. Organisations are assumed to be influenced by—and, at the same time, to influence—the society in which they operate (Gray et al., 1995; Deegan, 2002). Within the theory, legitimacy has been defined in terms of congruence (Dowling and Pfeffer, 1975; Meyer and Scott, 1983), perception, and assumption (Suchman, 1995; Nasi et al., 1997). Traditionally, the view of 'legitimacy' was mainly based on economic performance (Patten, 1991; O'Donovan, 2002). It could thus be implied that, as long as a corporation continues to make profits for its shareholders, it is to be considered legitimate. From another point of view, it could be claimed that, as long as a corporation is compliant with the existing laws in relation to its operations, it is acting legitimately. However, the formal nature of law and the

existence of a time lag may lead to conflict between what may be legally allowable and what may be considered acceptable behaviour for an entity. A corporation acting within the bounds of current legal requirements, therefore, would not necessarily be a legitimate organisation. Law is reactive to changes in social values and norms, but does not create them (Deegan and Unerman, 2011). Accordingly, the relationship between legality and legitimacy may have been explained by Epstein and Votaw (1978: p.76): "Legitimacy is not coextensive with, nor is it defined by legality. Law may be intended to confer legitimacy and may actually do so, but law does not necessarily confer legitimacy, and legitimacy does not always imply legality".

Gray et al. (1995) also noted that corporations usually seek to legitimise and sustain relationships in the broader social sphere in which they operate; without such legitimacy, they could not survive or exist. In other words, organisations seek legitimacy because societies are more likely to supply them with resources if they appear to be desirable and trustworthy. The supplied resources may vary; they may include financial capital and labour to enable businesses to continue investing and operating, customer demand for their products and services to enable them to keep their positions in the market, and infrastructures and markets provided by governments and communities—in return for which, taxes and other obligations may be due. As Meyer and Rowan (1991: p.50) pointed out, "organisations that lack acceptable legitimated accounts of their activities are more vulnerable to claims that they are negligent, irrational or unnecessary". If society is not satisfied that an organisation is operating in an acceptable manner, then the latter may not be able to maintain its contract to continue its operations. Significant negative impacts may occur; for example, customer boycott, increased taxes and fines by the government, limited access to financial resources and raw materials (Deegan, 2002; Deegan and Unerman, 2011). Thus, to seek legitimacy is to ensure the continued supply of the necessary resources; to survive, organisations will pursue strategies to counter any threats to these resources.

Legitimacy theory posits that "organisations continually seek to ensure that they are perceived as operating within the bounds and norms of their respective societies" (Deegan and Unerman, 2011: p.323). This viewpoint emphasises that an organisation's legitimacy is not only based upon the economic and legal assessments

being undertaken, but also upon how it acts relative to prevailing social norms and values. It can be assumed that organisations can continue to exist if the society in which they operate perceives that they are acting—or, at least, appear to be acting—within the bounds of a value system that is acceptable to that society itself. These bounds and norms are not to be considered static but, rather, to be changing over time; they thereby require organisations to be consistently responsive to the society and environment in which they operate. An example can be provided by public health concerns regarding the effects of smoking. In this case, although the tobacco companies' economic and legal legitimacy may not be in question, their social legitimacy may well be. Awareness of health concerns related to smoking is increasing and is changing societal expectations (Nasi et al., 1997). This has created a legitimacy gap for the tobacco companies, even though they are operating in the same manner as always and are in compliance of the law.

Ashforth and Gibbs (1990) also suggested that organisations can give either substantive or symbolic responses when seeking legitimacy. According to the authors, substantive responses involve changes in organisational goals, structures, processes, or practices to conform to societal expectations and values. By contrast, symbolic responses are concerned with the way an organisation's appearance is consistent with social values and expectations (Ashforth and Gibbs, 1990: p.180). Most of the empirical and theoretical researchers (Pfeffer, 1981; Meyer and Rowan, 1991; Elsbach, 1994) who investigated legitimating approaches were concerned with symbolic management. The symbolic response position is that communication to stakeholders through the corporate disclosure report is very useful to convey to the public that a company's values meet with social values and perceptions without any actual change being enacted. In relation to this point, Milne and Patten (2002) stated that legitimation is a strategic approach process that is used by managers to establish a good reputation and perception of the company while not actually changing their action or activities.

From the above view, it appears that social and environmental reporting can be seen as a key communication factor that organisations can use to create organisational legitimacy. It is established that voluntary social and environmental disclosure may

convey the impression and perception that a corporation is acting in a socially responsible manner (Neu et al., 1998). In addition, legitimacy theory offers a broader societal perspective in the attempt to explain the increase in social and environmental reporting (SER). The perspectives offered by legitimacy theory are broader compared to those of political economy theory because they do not only involve economic and political factors but also social ones. However, research studies were carried out to investigate specific factors, for instance, the relationship between the media and public concerns (see, for example, Brown and Deegan, 1999; Deegan et al., 2000); this will be discussed in the next section.

3.2.5 *Media Agenda Setting Theory*

Media agenda setting theory is likely to link with legitimacy theory as it draws heavily on the relationship between public concerns and the corporate actions taken in response to those concerns.

Numerous studies (e.g., Deegan and Gordon, 1996; Brown and Deegan, 1999; Wilmshurst and Frost, 2000; O'Donovan, 2002; De Villiers and Van Staden, 2006; Tilling and Tilt, 2010) have used local, regional, and national media as indicators of public pressure in relation to the legitimacy of an organisation. However, media agenda setting theory has been used to verify whether media coverage has the ability to raise public awareness and concern about a particular event. Brown and Deegan (1999: p.25) stated that "media agenda setting theory posits a relationship between the relative emphasis given by the media to various topics and the degree of salience these topics have for the general public".

From previous empirical studies, media agenda setting theory appears to be used as an explanatory theory for the relationship between levels of negative media attention on environmental issues and positive levels of corporate annual report disclosures (Brown and Deegan, 1999; Deegan et al., 2000). In term of SER, it is argued that, if an incident or issue receives high levels of media exposure, a society or community may apply greater pressure on the companies involved in it. Therefore, one would expect those companies to feel a greater need to disclose information regarding social

and environmental responsiveness. The extent of this theory is to recognise the relevance of the media in influencing community perceptions; although they do not have a direct impact on the survival of a corporation, the media can mobilise public opinion with regard to a corporation's performance in ways that can cause significant damage to it. Moreover, this can lead to possible threats to corporate operations, as can be seen in the case of 'sweatshops' (Islam and Deegan, 2008, 2010).

Although there are some theoretical perspectives that can provide useful insights into corporate behaviour regarding SER practices, these still offer only a partial view. Therefore, it is essential to consider the different theoretical perspectives which have been used as explanatory theories to interpret social and environmental disclosure practices. For that reason, institutional theory is brought into the discussion in the following section.

3.2.6   *(Neo) Institutional Theory*

(Neo) institutional theory is another system-oriented theory which has been used to understand organisational behaviour in undertaking particular reporting practices. It provides the view by which organisations operating within the same institutional environment or 'organisational field' tend to adopt homogeneous organisational characteristics, structures, and practices (Unerman et al., 2007). Scott (1987, as cited in Carpenter and Feroz, 2001) stated that "organisations conform (to institutional pressures for change) because they are rewarded for doing so through increased legitimacy, resources, and survival capabilities". From an institutional perspective, legitimacy is defined as the symbolic conformity to cultural and social values which organisations have to attain in order to show that their activities and practices are in line with institutional isomorphism or have become institutionalised (DiMaggio and Powell, 1983; Scott, 1995; Deegan and Unerman, 2011). Deegan (2002: p.294) noted that "under institutional theory, managers are expected to conform to norms that are largely imposed upon them".

DiMaggio and Powell (1983) presented different isomorphism processes—i.e., coercive, mimetic, and normative isomorphism—to describe the particular forms that

organisations adopt in order to maintain their conformity and legitimacy. In term of reporting practices, coercive isomorphism is used to explain the particular voluntary corporate reporting that is produced by organisations due to the pressure exerted by powerful stakeholders on which they depend—e.g., governments, regulators, or creditors (Islam and Deegan, 2008, 2010). Coercive isomorphism is also related to the managerial branch of stakeholder theory, in which powerful stakeholders are considered to be critical for the adoption of specific reporting practices by organisations (Amran and Devi, 2008; Bebbington et al., 2008; Deegan and Unerman, 2011).

Mimetic isomorphism can occur when companies are faced with situations of uncertainty; they then tend to follow and model their forms and practices to those of successful organisations within the same field to ensure their legitimacy and as a safe strategy to secure their competitive advantage. However, Unerman and Bennett (2004) stated that, in the absence of coercive stakeholder pressure, there may be no pressure to mimic the reporting practices of other companies.

The last isomorphic type, which has been frequently observed with reference to accounting standards and practices, is normative isomorphism (Kuasirikun, 2005). According to DiMaggio and Powell (1983), normative isomorphism is related to pressures arising from both the formal and informal groups to which an organisation conforms to fulfil professional expectations. Slight differences exist between mimetic and normative isomorphism. Whilst mimetic isomorphism occurs when an organisation relies on or bases itself upon the model of another organisation, normative isomorphism refers to what an organisation is supposed to do in terms of expected and accepted behaviours (Deegan and Unerman, 2011).

In the case of voluntary reporting practices, social and environmental disclosure can be used when organisations need their practices to be seen as being similar with institutional ones, regardless of whether they are actually applied in their processes. It can be thus stated that institutional theory is related to legitimacy theory in the sense that it takes the broader view that organisations practice change in order to bring legitimacy to themselves; conversely, legitimacy theory suggests that organisations

attempt to manage their strategic legitimacy in order to meet social expectations (Deegan, 2009).

3.3 Key concepts of Stakeholder Identification and Salience Theory

The purpose of the previous section was to review the existing theories and the extent to which they overlap and complement each other; this was done in order to develop a specific theoretical framework suited to perform analysis in this PhD research. Given that many theories propose different views of an organisation's motivations for disclosing its social and environmental information, the purpose of this section is to focus on a specific theoretical framework suited to gain an in-depth understanding of why an organisation would wish to engage in SER practices.

In this PhD study, a theoretical framework specifically drawn from Mitchell et al.'s (1997) stakeholder identification and salience model was selected as the explanation lens through which to provide an in-depth understanding of SER practices in Thailand. The following section presents a key concept of stakeholder identification and salience theory through an exploration of the notion of stakeholder identification.

3.3.1 *Stakeholder identification*

Regarding the various definitions of 'stakeholder' mentioned earlier (in section 3.2.2.1), Mitchell et al. (1997) argued that those researchers who favour a broad definition emphasise stakeholder power, which can affect, impact, or influence an organisation's activities and get the managers' attention, regardless of whether or not their claims are legitimate (Freeman, 1984; Carroll, 1993; Brenner, 1995). Conversely, those researchers who adopt a more exclusive definition of stakeholder link the legitimacy of the latter's claims to their formal contractual and legal right and authority, moral or at-risk status (Clarkson, 1995; Donaldson and Preston, 1995; Suchman, 1995). Mitchell et al. (1997) noted that the existing definitions tend to focus either on power or legitimacy, while ignoring *'urgency'*—i.e., the degree to which stakeholder claims call for immediate attention. Therefore, they introduced a

comprehensive model suited to identify stakeholders with regard to all three key attributes, namely: power, legitimacy and urgency.

Mitchell et al. (1997) developed a framework of stakeholder identification and salience to be used as a measuring tool to identify stakeholders and what really affects the managers' decision-making process. According to this framework, salience is defined as "the degree to which managers give priority to competing stakeholder claims" (p. 854). It could be asserted that the more salient the stakeholder, the more attention it gets from managers. The authors suggested that the salience of a stakeholder can be measured based upon whether it has one, two, or all three of the attributes of power, legitimacy, and urgency. In the salience framework, power is defined as "a relationship among social actors in which one social actor, A, can get another social actor, B, to do something that B would not have otherwise done" (Dahl, 1957; Pfeffer, 1981:3; Michell et al., 1997: 869; Agle et al., 1999; Weber, 1947). Legitimacy, on the other hand, indicates whether, and to which degree, a stakeholder's demands conform to an organisation's norms and values. Lastly, the notion of urgency can be viewed as a measure of the extent to which a stakeholder's claims are perceived to be significant and to require an organisation's immediate attention.

3.4 Stakeholder Attributes

In this PhD study, it is essential to identify who and what really matters to managers, as this may lead to understanding corporate behaviour and SER practices. Mitchell et al.'s (1997) model of stakeholder salience offers a theoretical framework suited to identify stakeholders through their attributes of power, legitimacy, and urgency. In this section, a detailed explanation of the nature of each stakeholder attribute will be presented as follows:

3.4.1 _Power_

Over the past decade, numerous definitions of power have been discussed from various perspectives. For instance, one definition of power is related to the ownership or control of those resources that are crucial for an organisation to operate and survive (Pfeffer and Salancik, 1978; Frooman, 1999). Adopting resource dependence theory, Eesley and Lenox (2006: p.767) defined power as the relative access by the stakeholder group to resources with respect to the company being targeted.

In Mitchell el al.'s (1997) framework, the definition of power originates from Weber (1947), who proposed that power is "the probability that one actor within a social relationship would be in a position to carry out his own will despite resistance". This defines power as the ability of an actor to carry out or fulfil its own interests. Similarly, Pfeffer (1981: p.3) relied on Dahl's (1957) definition of power as "a relationship among social actors in which one social actor, A, can get another social actor, B, to do something that B would not otherwise have done". From the quote, it can be implied that stakeholder power is exerted where a stakeholder can get another social actor (a company) to do something that it would not have otherwise done. In Mitchell et al.'s (1997) salience framework, the attribute of power is based on Etzioni (1964), who defined power as the extent to which a party has or can gain access to coercive, utilitarian or normative means to impose its will.

In the organisational context, previous studies (Ryan and Schneider, 2003; Eesley and Lenox, 2006) suggested that the more power a stakeholder possesses, the higher the chance that it may impact on company behaviour. Stakeholders may exert their power to influence an organisation in order to fulfil their particular wishes. Conversely, Mitchell et al. (1997) suggested that power, while easy to recognise, is a variable that a stakeholder may acquire or lose over time.

3.4.1.1 Types of power

Previous studies (Kelman, 2006; Weitzner and Deutsch, 2015) suggested to distinguish how each kind of power exerts different levels of influence on stakeholder

prioritisation for each type of motivation. For that reason and to advance SER literature, the typological differentiation of power should be included as it could help to further develop our understanding of corporate motivations for voluntary disclosure practices. Based upon the salience framework, Etzioni (1964: p.59) suggested three types of power based on their source—namely: coercive, utilitarian or normative power.

Coercive power

Etzioni explained that "the use of a gun, a whip, or a lock is physical since it affects the body; the threat to use physical sanctions is viewed as physical because the effect on the subject is similar in kind, though not in intensity, to the actual use" (cited in Mitchell et al., 1997: p. 865). Control based on the application of physical means is ascribed as coercive power. Regarding this notion, coercive power is primarily based on the use of physical force, fear, violence, and/or the threat of physical harm. The concept of coercive power involves the use of force to compel behaviour. Regarding the definition given by Etzioni (1964), coercive power reflects the ability to apply physical force or to carry out a threat. An example of coercive power—as the use of force to threaten—can refer to some kind of imprisonment, which denies freedoms and privileges while, at the same time, enforcing strict behavioural rules that must be followed at all times. Prisoners are forced to conform and are kept under control through force by, for instance, enforcing the wearing of uniforms, limiting access to information, grounding, and limiting the time allocated to everyday routines.

Within the organisational context, Etzioni (1964: p.196) suggested that coercive power is related to the denial or contradiction of involvement and/or relationship; for example, the imposition of periods of suspension, the threat or ability to fire, the withholding of promotion, or the transfer to undesirable positions. On the other hand, governmental laws and regulations are identified as coercive forces to which every organisation must comply in order to follow standards of practices (DiMaggio and Powell, 1983). It can be suggested that the application of force may not only be limited to physical means, but also include social, political, or economic coercion. Failure to comply with laws leaves organisations open to face punishments or penalties imposed by governments or regulatory bodies (North, 1990). In term of SER

practices, research suggests that governmental acts are the most effective in facilitating corporate behaviours.

Utilitarian power

Utilitarian power can refer to the exercise of control through material, remunerative or extrinsic rewards consisting of goods and services. The granting of symbolic rewards (e.g., money) that enable the recipient to acquire goods and services is classified as material because its effect is similar to that of the granting of actual material ones. In other words, it can be implied that utilitarian power is based on a system of desirable rewards offered in return for conformity or compliance.

Regarding the notion of utilitarian power, some previous studies suggested that powerful stakeholders directly influence organisational survival (Carroll, 1993; Freeman, 1984) or are in a mutually beneficial relationship with an organisation (Nasi, 1995). Others have emphasised the relationship between company resource dependence and utilitarian stakeholder power (Pfeffer and Salancik, 1978; Oliver, 1991; Pfeffer, 1992). Pfeffer and Leong (1977: p. 779) suggested that a stakeholder has power only if it has the "ability to articulate a credible threat of withdrawal" with regard to resources needed by a company—e.g., governmental suspension of a license to operate or denial of credit for a loan. In other situations, stakeholders use their resource-based relationships with companies to leverage demand or attach conditions for the continued supply of resources (Frooman, 1999). If a stakeholder is successful in employing its strategy, a company will change specific behaviours. Therefore, while organisations tend to identify their respective powerful stakeholders, at the same time, it is essential for them to assess their stakeholders' needs in an attempt to manage and respond to their demands. Hence, powerful stakeholders need to be managed to ensure their continued support and to obtain the resources needed to achieve organisational objectives.

Gray et al. (1996: p.46) indicated that information "is a major element that can be employed by the organisation to manage (or manipulate) the stakeholders in order to gain their support and approval, or to distract their opposition and disapproval". From a stakeholder theory perspective, the strategic type of disclosure would seem to imply

that corporations will focus on organisational survival concerns, rather than on ethical ones. Cormier et al. (2004) found that companies have varying degrees of perception towards the value of stakeholder groups depending on their management's responsibility and the issues facing them. Their findings indicate that the management's perception of stakeholder concerns helps to shape a company in terms of the type and the amount of disclosures to be made. On the other hand, it can be argued that each individual stakeholder group also possesses varying degrees of requirements and interesting issues. Therefore, it is important for disclosing companies to decide to whom and what to disclose in order to manage and communicate with their stakeholders.

SER is employed by an organisation as an effective communication tool to manage its relationship with its powerful stakeholder groups. Providing social and environmental information enables the management to explain its viewpoint on the organisation's activities. Managing its relationships with these stakeholders may contribute to an organisation's survival. Once an organisation has determined the motivations underpinning its initiation and provision of corporate reporting and before making any decision, it should identify which groups of stakeholders are important enough to be taken into account and what issues are sufficiently significant to require its attention.

Normative power

By contrast, normative power is based on prestige, esteem, and acceptance, which are 'pure' symbols—i.e., symbols the use of which does not constitute a physical threat or a claim on material rewards. These can be normative—such as those of prestige and esteem—and social—such as those of love and acceptance. When physical contact is used to represent love, or material objects to represent prestige, such contact or objects are viewed as symbols because their effect on the recipients is similar to that of 'pure' symbols. The use of symbols for control purposes is referred to as an expression of normative, normative-social, or social power (Etzioni, 1964: p.59).

In terms of the organisational context, normative power has a system of control that is dependent upon shared values with a positive sense of persuasive and suggestive

purpose, rather than on the offer of any monetary reward or benefits. The shared values stem from individual commitment to an organisation's ideology, which results in the intensive adoption of its values and goals (Etzioni, 1961: p.287). People submit to the normative power of an organisation voluntarily because they admire its work and goals. Normative power based organisations are also referred to as voluntary organisations, which people join as a means to promote some socially important benefit, as, for example, charities or aid organisations.

3.4.2 *Legitimacy*

The definition of legitimacy given by Mitchell et al., (1997) draws from Suchman (1995), who argued that legitimacy is considered as a status or concept in a social context. Suchman (1995: p.574) suggested that legitimacy is "a generalised perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs and definitions". Legitimacy is related to the concept of the social contract (Deegan, 2002; Deegan and Unerman, 2011), as it is used to represent the relationship between an organisation, its stakeholders, and the society in which it operates. According to the social contract, corporations are required to operate in a manner that is consistent with society's expectations by not only maximising shareholder value, but also taking responsibility with regard to the society and environment in which they operate. Companies are expected by society to be more stakeholder accountable and socially and environmentally responsible. By doing so, organisations will be able to effectively prioritise their subject matter and adopt strategies and practices that suit society's expectations.

While the concept of legitimacy is only broadly and generally defined, thus making it difficult to provide an in-depth analysis of it (Phillips, 2003; Driscoll and Starik, 2004; Bannerjee, 2007), other researchers (Eesley and Lenox, 2006; Nevill and Menguc, 2006; Nevill et al., 2011) emphasised that the legitimacy of a stakeholder and that of its claim should be considered separately. An instance supporting the need for such separation is provided by the use of protest tactics by environmental activist groups with regard to the issue of climate change. Although the claim would appear to be legitimate, the confrontational nature of the action could possibly reduce the

legitimacy of the stakeholder as well as that of the claim (Eesley and Lenox, 2006). However, it can be suggested that, should a claim be perceived as being significantly legitimate, other stakeholder groups deemed to be more legitimate may be inclined to pressure an organisation towards addressing it (Nevill et al., 2011). According to Mitchell et al.'s framework, it can be argued that the legitimacy of a stakeholder (who the stakeholder is) and that of the claim (what really matters) should be assessed by company managers. It is the managers' role to identify and assess whether both stakeholder and claim are perceived to be sufficiently legitimate to merit a response (this will be discussed in further detail in Section 3.5).

Within its scope, this research intends to focus on the legitimacy of stakeholder groups from the perspective of the reporting organisation through the investigation of their managers' perceptions, rather than addressing the legitimacy of the organisation from perspective of the stakeholders, as is commonly done within the SER literature. However, there is still the need for further refinement on how this different legitimacy is being sought than was used in prior research to analyse empirical data. It is essential to identify what type of legitimacy an organisation is adopting, as this may lead to better understanding a different motivation of corporate behaviours and SER practices. In this PhD study, to advance the stakeholder identification and salience framework, the researcher explicitly differentiates legitimacy into three types, as suggested by Suchman (1955), through which legitimacy can be extracted—namely: pragmatic, moral, and cognitive.

3.4.2.1 Types of legitimacy

As mentioned above, the concept of legitimacy often offers a broader perspective. The better defined typology of legitimacy employed in this framework to help make sense of the role played by stakeholders and organisations in their societies can be examined at a different level. The type of legitimacy in this theoretical framework is restricted to Suchman's (1995) work on legitimacy as a means of representing the links between stakeholders and legitimacy perspectives.

Pragmatic Legitimacy

According to Suchman (1995: p.578), pragmatic legitimacy "rests on the self-interested calculations of an organisation's most immediate audiences". It is the most basic and variable form of legitimacy. The concept of pragmatic legitimacy relates to the practical benefits or exchange value that organisations needs to demonstrate to fulfil their stakeholders' expectations. The simplest form of pragmatic legitimacy is that in which specific values or favourable outcomes are exchanged between organisations and their key stakeholders. These exchanges can involve financial capital, critical resources (e.g., labour and time), products and services, or other support.

A second form of pragmatic legitimacy is what Suchman (1995) called influence legitimacy. At this level, stakeholders support organisations because they see that they respond to wider interests. It is a key challenge for organisations to influence their key stakeholders as well as the wider public of the value of their outcomes. In this case, organisations may incorporate their stakeholders into their procedures or adopt their constituents' standards of performance to demonstrate responsiveness and reflect their commitment to them. An example of this could be a company establishing health and safety committees in order to incorporate its employees into its policymaking.

A third form of pragmatic legitimacy is dispositional legitimacy. In this case, according to legitimacy, stakeholders are likely to react to specific organisations that are trustworthy and show disposition to the broad objectives of key audiences. In order to achieve dispositional legitimacy, symbolic disclosures can be used to impress on these stakeholders that an organisation's activities are consistent with their objectives and interests. In addition, when an organisation's legitimacy is threatened or has become a concern to specific stakeholders, it may use symbolic disclosure to target these stakeholders in an attempt to convey a disposition to their concerns.

As described, pragmatic legitimacy is related to those stakeholders that directly interact with an organisation even though the connection between organisation and stakeholders may include broad social interactions (Mobus, 2005: p.497). In terms of theoretical perspective, it can be argued that the notion of pragmatic legitimacy is

relatively linked to stakeholder management because it relies on the evidence of direct exchanges between an organisation and a specific stakeholder and the organisational activities that visibly affect the stakeholder's wellbeing (Suchman, 1995: p.578).

To further support this view, the findings of Mahadeo et al.'s (2011) study, which examined the changes in SER practices in Mauritius for the 2004-2007 period, are consistent with the concepts of pragmatic legitimacy in terms of exchange legitimacy. For instance, NGOs and government are increasingly mentioned in SER as recipients and beneficiaries supported by corporate funds. This direct relationship reflects an attempt at pursuing exchange legitimacy because it involves financial exchanges between an organisation and a particular stakeholder. In the case of health and safety disclosures, the companies are responding to the employees' broader interests related to working in a safe environment by incorporating them into their policymaking process. In this respect, it can be asserted that companies seek to pursue a form of influence legitimacy in the sense mentioned by Suchman (1995: p.578)—i.e. that the pursuit of influence legitimacy can occur when an organisation incorporates or co-opts constituents into its policymaking structures. In terms of SER, stakeholders are involved by helping to identify what the material issues are, in order for the organisation to address them in its report (Thomson and Bebbington, 2005; Unerman and Zappettini, 2014). An organisation's decisions on what information is likely to be disclosed in its report are directly related to the identification of its stakeholders' information expectations. As a result, stakeholder engagement is a crucial element of social and environmental reporting (O'Dwyer, 2005; Unerman et al., 2007); it enables the social and environmental report to be more effective in providing information that meets the target stakeholders' needs at a particular point.

Moral Legitimacy

While pragmatic legitimacy is centred on the needs of a particular stakeholder, the notion of moral legitimacy is based on a judgment regarding whether an activity is 'the right thing to do' (Suchman, 1995); for example, the stakeholders' assessments of whether specific organisational activities effectively promote societal welfare. Moral or normative legitimacy can be referred to when an organisation attempts to

demonstrate an affiliation to social norms, values, and beliefs (Suchman, 1995: p.579). Moral legitimacy is based on an organisation justifying itself and its activities with reference to whether they are appropriate to social norms, rather than benefiting specific stakeholders or being based upon calculations of self-interest. It can be argued that moral legitimacy is socially constructed and underpins the calculation of an organisation's procedures, structures, and practices. Based on the evaluation of their consequences, procedures, leaders or representatives, and structures, Suchman (1995) identified four moral legitimacy types.

The first form is consequential legitimacy, which relates to an organisation's accomplishments as judged against societal criteria and output measures. If consequential legitimacy can be summarised as 'doing the right things', then procedural legitimacy can be defined as 'doing things right' (Brinkerhoff, 2005). In the absence of favourable outcome measures, organisations can gain moral legitimacy by adopting socially valued and accepted techniques and procedures that demonstrate that they are making adequate efforts to comply with social norms and values. For example, the adoption of sustainability reporting assurance practices show a company's intention to provide greater transparency and accountability of corporate sustainability reporting (O'Dwyer et al., 2011). In addition, company decisions to disclose not only economic outcomes—such as profits or sales volumes—but also a variety of social activities and beneficiaries as a part of their outputs could be suggestive of a strategy in pursuit of consequential legitimacy. It also considers the finding that many companies are raising awareness of their corporate social responsibility concerns by disclosing their social responsibility policies and procedures. This can be seen as a good effort to gain procedural legitimacy because the use of such means can reflect a positive moral value (Suchman, 1995: p.580). On the other hand, criticism has been levelled to such disclosures as they are seen as symbolic; appearing to be public relations mechanisms in the legitimation process (Guthrie and Parker, 1989; Spence, 2007). From a theoretical perspective, the form and content of an organisation's social and environmental disclosures are primarily geared to the needs of its relevant stakeholders in addition to the construction of an image of social responsibility and desirability (Neu et al., 1998; Soobaroyen and Ntim, 2013).

Structural legitimacy, the third variant of moral legitimacy, results from the stakeholders' perception of an organisation as deserving of support due to its structural characteristics being widely recognised as 'right' for the job. According to Suchman (1995: p.581), this form of legitimacy refers to a situation in which an audience perceives an organisation to be "worthy of support because its structural characteristics locate it within a morally favoured taxonomic category". Thus, Meyer and Rowan (1991) and Scott (1992) described structures as indicators of an organisation intentionally acting to perform certain tasks and adequate procedures.

The fourth variant of normative legitimacy is personal legitimacy. Stakeholders attribute legitimacy to an organisation not because of what it does or how it does it, but because of the perceived legitimacy of the personal status, reputation, and charisma of individual organisational representatives. However, the perception of charismatic individuals often enables organisations to use strategies that involve the blaming or replacing of executives when they engage in behaviours that produce unacceptable results (Suchman, 1995).

Suchman (1995: p.579) suggested that moral legitimacy reflects a positive normative evaluation of an organisation and a pro-social logic that differs fundamentally from narrow self-interest. Moreover, from Suchman's conceptualisations, it can be implied that there is no specific 'audience' in the case of moral legitimacy, as it tends to focus on society as a whole. In this regard, it can be inferred that the focus of moral legitimacy is not so much upon benefiting a particular stakeholder, but more towards responding to the benefit of societal welfare. The study conducted by O'Dwyer et al. (2011) supports this view by acknowledging that, to pursue the legitimacy of new assurance practices, the assurors have to focus not only upon their clients, but also upon the 'non-client external world'. In an effort to convince such audiences and establish moral legitimacy, the assurors must provide information on the nature and benefits of the assurance process that these stakeholders will perceive as socially desirable.

It could be proposed that moral legitimacy is derived from the efforts of organisations to disseminate ethical conduct throughout their social contract in response to society's pressure to act in a more globally responsible manner. Moral legitimacy can take its

references from the implicit terms of the social contract, therefore, it is more difficult to achieve than pragmatic legitimacy through strategic symbolic means (Mobus, 2005). According to research studies (Ashforth and Gibbs, 1990; De Villiers and Van Staden, 2006; Soobaroyen and Ntim, 2013), SER is a device that facilitates both the delivery of social and environmental information and the decision-making process. It also reflects that the extent of corporate responsibility and accountability derives from the organisations' actual social and environmental practices.

Cognitive Legitimacy

Suchman (1995: p.582) suggested that cognitive legitimacy is based neither on interests nor on moral motivations, but rather on 'comprehensibility' or being 'taken-for-granted'. Cognitive legitimacy occurs when practices pursue objectives and activities that are assumed to be taken for granted, such as being appropriate, proper, and desirable within a shared system of norms and values (Scott, 1995; Suchman, 1995). Constituents already believe that a practice has to be recognised as a relevant and useful aspect of social life when it is first introduced. Therefore, cognitive legitimacy operates at the subconscious level; as such, it is hard to approach it directly to affect stakeholder perceptions while not being deemed to be significantly under management control. Aldrich and Fiol (1994) suggested that this sort of legitimacy is based on cognition rather than on interest or evaluation.

Cognitive legitimacy has two variants based on comprehensibility and being taken-for-granted. If society can explain organisational practices as being engaged in comprehensible behaviour and producing acceptable, predictable, and meaningful results, then that organisation has achieved cognitive legitimacy based on comprehensibility. Following Suchman (1995), the comprehensibility of organisations and their activities within a pre-existing cultural framework manifests itself through the ability of stakeholders to understand this ongoing social activity.

In another form, if society accepts the organisation and its actions as understandable and appropriate, then such an organisation enjoys legitimacy based on being taken for granted. The appropriateness of the behaviour of an organisation that exhibits 'taken-for-granted' features becomes what Zucker (1991: p.86) called a reflection of "a fact

of life". However, such perceptions have changed—to a greater or lesser degree, depending upon the society—indicating that taken-for-grantedness is not immutable (Brinkerhoff, 2005).

Cognitive legitimacy is based upon the idea that an organisation has had collective actions and outcomes, and that its operations are based on a common understanding within its social context (Cashore, 2002). It can be assumed that cognitive legitimacy is derived from consistency with those institutional logics that enable society to believe that social interaction is predictable, coherent, and objective. It can be argued that cognitive legitimacy emerges slowly but that, once it does emerge, it is likely to be much more stable and more durable compared to pragmatic and moral legitimacy. Although organisational persistence itself could lead to cognitive legitimacy, this passive form does not fit well with those companies attempting to achieve legitimacy by being proactive. The justifications implied by cognitive legitimacy rest on common sense and collective experience; they are therefore difficult for an organisation to control and manipulate strategically (Scott, 1995; Suchman, 1995). Palazzo and Scherer (2006) also indicated that, should an organisation attempt and act to disclose cognitive legitimacy, this may lead to questions because the subconscious perception would have been replaced by explicit concerns.

3.4.3 *Urgency*

Mitchell et al. (1997) viewed power and legitimacy as independent variables in stakeholder-manager relationships, but their perspective does not capture the dynamics of stakeholder-manager interactions. They argued that urgency, in terms of time, is implicit in the organisational strategy literature, although no individual theory has included it or taken it into account. Therefore, they proposed that the addition of the stakeholder attribute of urgency helps transpose the model from being static to being dynamic (Agle et al., 1999; Harvey and Schaefer, 2001; Eesley and Lenox, 2006). They suggested that urgency provides a perspective better suited to identify stakeholders and to explain the degree of attention that managers pay to them. They used the case of a major man-made incident—the Exxon Valdez oil spill—to show how quickly managers deal with stakeholder issues. During that crisis, the

management positively responded to the public and media coverage of the oil-spill, a chemical waste leak that damaged the Alaskan coastline's ecosystem.

According to the Merriam-Webster Dictionary, 'urgent' is defined as "calling for immediate attention" or "pressing"; thus, urgency only exists when a relationship or claim is of a time-sensitive nature and is important or critical to a stakeholder. In this salience framework, urgency is defined as "the degree to which stakeholder claims call for immediate attention" (Mitchell et al., 1997: p.864). Mitchell et al. proposed that urgency is based on two attributes:

- time sensitivity; i.e., "the degree to which managerial delay in attending to the claim or relationship with the stakeholder is unacceptable";
- criticality; i.e., "the importance of the claim to stakeholders" (p. 867).

3.4.3.1 Time sensitivity

The notion of time sensitivity is related to the degree to which management pays attention to various stakeholder groups. Wartick and Mahon (1994) examined the nature of time in the area of issue management, while Agle et al. (1999) employed the stakeholder identification and salience framework proposed by Mitchell et al. (1997) to study corporate performance, and found evidence supporting that the extra push provided by shareholder urgency is the key dominant factor to get CEO attention.

Eesley and Lenox (2006) emphasised the urgency of the claim or request, rather than that of the stakeholder group; in other words, the speed with which an issue can become salient to a company (Eyestone, 1978). They suggested "to cast urgency more broadly and universally in terms of whether an individual stakeholder claim or request is intended to stop or alter present, ongoing actions of the firm vs. altering future, planned actions" (p. 769). Stakeholders can address their claims or issues of concern by setting deadlines or times, thus pressuring the management in order to receive immediate attention. However, according to the stakeholder salience framework, time sensitivity alone is not sufficient to acknowledge that an issue is urgent, the stakeholders' claims need to be perceived as critical by the management in order for them to warrant instant responses.

3.4.3.2 Criticality

Mitchell et al. (p. 867-8) provided some examples of why a stakeholder would view its relationship with a company as critical:

- Ownership: the stakeholder's possession of company-specific assets, or of those assets tied to a company that cannot be used differently without loss of value (Williamson, 1985; Hill and Jones, 1992), which would make it very costly for the stakeholder itself to terminate the relationship;
- Sentiment: as in the case of easily traded stock that has been held for generations within a family, regardless of its actual performance;
- Expectation: the stakeholder's anticipation that the company will continue providing it with something of great value (e.g., compensation and benefits, in the case of employees); or
- Exposure: the importance attached by the stakeholder to what is at risk in its relationship with the company (Clarkson, 1994).

Table 3.1: Summary of stakeholder attributes: power, legitimacy, urgency.

Power	Legitimacy	Urgency
Coercive power – control based on the application of physical means	*Pragmatic legitimacy* – rests on the self-interested calculations of an organisation's most immediate audiences	*Time sensitivity* – the degree to which managerial delay in attending to a claim or relationship is unacceptable to the stakeholder
Utilitarian power – refers to the use of material, remunerative, or extrinsic rewards	*Moral legitimacy* – based on a judgment with regard to whether an activity is 'the right thing to do'	
Normative power – based on prestige, esteem, and acceptance.	*Cognitive legitimacy* – based neither on interests nor on moral motivations, but rather on 'comprehensibility' or being 'taken-for-granted'.	*Criticality* – the importance of the claim or relationship to the stakeholder

Adapted from Etzioni, 1964; Suchman, 1995; Mitchell et al., 1997.

In regard to the theoretical framework, besides attempting to predict those circumstances under which "time will be of the essence", Mitchell and his co-authors did not intend to specify why stakeholders assess their relationships with companies as being critical. Rather, they included these two factors to complement the attributes of power and legitimacy and add dynamism to their proposed theory.

3.5 <u>The interrelation between the stakeholder attributes</u>

The previous section explains the characteristics of each attribute as proposed by Mitchell et al. (1997). The authors also highlighted a key point of the stakeholder salience model: that the three attributes are interrelated, overlapping, and dynamic. They further (p. 868) suggested that the model becomes dynamic because:

1. Each attribute is a variable, subject to change and not in a steady state.
2. The attributes are not objective but socially constructed; they are based on managerial perception.
3. Consciousness and wilful exercise may or may not be present.

This section presents the use of the stakeholder salience model in an attempt to demonstrate the interrelation between the three attributes of power, legitimacy, and urgency according to the definition of salience as "the degree to which managers give priority to competing stakeholder claims" (p. 854). Thus, this model enables the researcher to identify those which should be considered as stakeholders and the claims that should really be considered salient by the management. The model works by classifying stakeholders through a mix of their three attributes of power, legitimacy, and urgency.

In this PhD study, the research aims at understanding the motivational factors underpinning SER practices in the Thai context. Although there is no intention to categorise or distinguish between stakeholder groups, it is however relatively important to identify who and what really matters to managers, as this may help to achieve the research aim. The next section, therefore, will categorise stakeholders according to the stakeholder salience model.

3.5.1 *Stakeholder Categorisation*

The stakeholder salience model classifies stakeholders based upon the attributes they possess. First, low salience or 'latent stakeholders', which are identified by their possession of only one of the attributes. Secondly, 'expectant stakeholders' with moderate salience, which possess two attributes. Lastly, highly salient stakeholders, called '***definite stakeholders', which present a combination of the attributes of power, legitimacy and urgenc***y. In this regard, stakeholders can be categorised into seven different groups as illustrated in the following Venn diagram (figure 3.1).

Figure 3.1: Stakeholder Categorisation
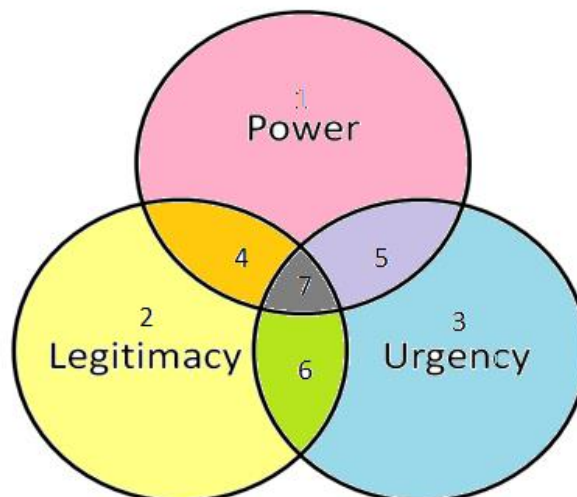
Adapted from Mitchell et al. (1997: p.872), excluding non-stakeholders

3.5.1.1 Dormant stakeholders

Dormant Stakeholders have the power to impose their will on others but have little or no interaction/involvement as they lack sufficient legitimacy or urgency. Although dormant stakeholders have little to do with an organisation, the latter may keep them informed due to their potential to acquire urgency and legitimacy. Mitchell et al. (p. 875) suggested that "management should remain cognizant of such stakeholders, for the dynamic nature of the stakeholder-manager relationship suggests that dormant

stakeholders will become more salient to managers if they acquire either urgency or legitimacy". Examples of dormant stakeholders are persons or groups holding metaphorical loaded guns (coercive), able to spend a lot of money (utilitarian), or able to manipulate media attention.

3.5.1.2 Discretionary Stakeholders

The claims of Discretionary Stakeholders possess legitimacy, but lack the power and the urgency necessary to influence an organisation. Managers are under no pressure to engage with this group, but may choose to do so if necessary. Examples of this kind of stakeholders are the recipients of corporate philanthropy or beneficiaries of charity. Previous studies in the area of corporate social responsibility and corporate philanthropy (Carroll, 1979; Wood, 1991) highlighted that this is a key interest group.

3.5.1.3 Demanding Stakeholders

Demanding Stakeholders have urgent claims, but no legitimate or powerful ones. This stakeholder group may generate bother or frustration in management, Mitchell et al. (p.875) described demanding stakeholders as "mosquitoes buzzing in the ears of managers". This stakeholder group is neither worth investing too much attention nor is it willing to acquire either the power or the legitimacy necessary to move its claims to a more salient status. Examples are serial complainers or low return customers.

3.5.1.4 Dominant stakeholders

Dominant stakeholders have claims that are both powerful and legitimate. Although their demands wield a strong enough influence upon an organisation, they lack urgency. However, these stakeholders are usually acknowledged and given attention by an organisation, and their claims matter to managers. As their authority would enable them to establish a contract or relationship with an organisation (Driscoll and Starik, 2004), it is important to communicate with them or keep them informed. In addition, many research scholars within the CSR and social and environmental

reporting area have suggested that corporations are likely to provide these legitimate and powerful stakeholders with reports. Examples include a company's board of directors.

3.5.1.5 Dangerous stakeholders

Dangerous stakeholders have both power and urgency, but lack legitimacy. Mitchell et al. (1997: p.878) noted that it is important to identify and recognise these stakeholders, but not to acknowledge them and thus award them with legitimacy. Those with powerful and urgent claims can be seen as dangerous as they often hold illegitimate status, and act coercively and violently. For example, those employees or activists who use coercive, violent, or unlawful tactics.

3.5.1.6 Dependent stakeholders

Dependent stakeholders have urgent and legitimate claims but lack the power to enforce their will. This means that these stakeholders depend on other entities, such as dominant stakeholders, which have the power to impose and advocate their interests. However, they need to be managed because they could, for instance, influence the organisation. For example, in the case of the Exxon Valdez oil spill, the local Alaskan residents had urgent and legitimate claims, but had little power to wield in their relationship with the Exxon Company. To seek satisfaction for their claims, these stakeholders had to rely on the advocacy of more powerful ones—the Alaska state government and the court system—to act as guardians of the region's citizens, animals, and ecosystems. Mitchell et al. (p. 877) illustrated how, in this case, a dependent stakeholder moved up to the most salient stakeholder class by having its urgent claims adopted by dominant stakeholders.

3.5.1.7 Definite stakeholders

Definite stakeholders hold all three attributes of power, legitimacy and urgency. These stakeholders have a formal contract or relationship with an organisation. Managers have to give immediate priority and their full attention to these stakeholders,

including the need to keep them informed. An example could be the case of shareholders becoming active if they felt that the management was not really paying sufficient attention to their claims, especially if they saw a decline in corporate performance. In a real context, we would see managers being removed or replaced as a result of a drop in stock value prices. Shareholder urgency is perceived as a key driver that really gets an organisation's attention (Agle et al., 1999). It is therefore important to recognise the importance of all stakeholder attributes (power, legitimacy, and urgency) and to accurately perceive the claims made by definitive stakeholders.

3.6 <u>The role played by managers in the theory framework</u>

The previous section argued that stakeholder salience is positively related to the cumulative effect of the three attributes of power, legitimacy, and urgency. In addition, it emphasised that these attributes are variable and can change over time. However, in accordance with the stakeholder identification and salience theoretical perspective, Mitchell et al. (1997: p.871) asserted that "although groups can be identified reliably as stakeholders based on their possession of power, legitimacy, and urgency in relationship to the firm, it is the firm's managers who determine which stakeholders are salient and therefore will receive management attention". This means that the degree of salience of even those stakeholders who can be identified and categorised by their possession of the attributes mentioned above is nevertheless completely determined by managerial perception. This section's discussion therefore focusses upon the role played by managers, who can be viewed as being central in the stakeholder – manager relationship.

Hill and Jones' (1992) study on the development of the stakeholder – agency model commented on the vital role played by managers in a company's decision-making process. The relevance of such role was thus emphasised, "Whatever the magnitude of their stake, each stakeholder is a part of the nexus of implicit and explicit contracts that constitutes the firm. However, as a group, managers are unique in this respect because of their position at the centre of the nexus of contracts. Managers are the only group of stakeholders who enter into a contractual relationship with all other stakeholders. Managers are also the only group of stakeholders with direct control

over the decision-making apparatus of the firm" (Hill and Jones, 1992: p.134). In terms of the managerial perspective, it can be suggested that managers should be able to identify stakeholders and establish with them relationships that are in accordance with organisational objectives. However, previous research (Clarkson, 1995; Mainardes et al., 2012) argued that just identifying the stakeholders and their respective interests is not efficient enough; managers must focus upon and prioritise exclusively those stakeholders that are relevant and crucial to organisational survival.

In this PhD study, the researcher draws from Mitchell et al.'s (1997) work on stakeholder identification and salience. Their model of stakeholder salience was defined in terms of how managerial perceptions can determine managerial behaviours, and is used to explain managerial behaviours in identifying the stakeholders (who the stakeholders are) and recognising their respective claims, needs and expectations (what really matters to them) from the managerial perspective in terms of the facets of power, legitimacy, and urgency.

3.7 Justification for the use of stakeholder identification and salience theory

Previous research studies (Sternberg, 1997; Orts & Strudler, 2009) suggested that stakeholders used to be identified as those who affect an organisation; however, this definition has now come to include those who are affected by it. Therefore, both human and non-human stakeholders such as terrorists and competitors, the natural environment and future generations are now counted amongst stakeholder groups. In this case, the number of stakeholders to be taken into account can be problematic, as it would be virtually unlimited and thus unmanageable (Orts & Strudker, 2009). Sternberg (1997:4) further argued that "even if the stakeholder groups could be identified and restricted to a manageable number … what should count as a benefit for the purposes of balancing benefits? Is everything that a stakeholder regards as beneficial to be included in the calculation? And how are the managers to know what stakeholders consider to be benefits?". In addition, Derry (2012:260) critiqued that "the Mitchell et al. salience model is seen as problematic in its insistence on managerial authority". This PhD research study aims at providing insights into SER practices and offering a view on the process by which managers assign relative

importance to various stakeholder expectations. It is therefore essential to first identify who and what really matters to managers, as this may lead to understanding why Thai organisations choose to initiate social and environmental practices and reporting.

Stakeholder identification and salience theory (Mitchell et al., 1997), is adopted as the theoretical framework by which to explain the insights into SER practices and offer a view on the process by which the manager assigns relative importance to various stakeholder expectations. The stakeholder attributes of power, legitimacy, and urgency are employed to generate and provide a clear identification and definition of stakeholders in this PhD study.

In addition, not only does this theoretical framework help explain the different motivations behind the initiation of CSR/SER practices and reporting, but it also helps an organisation decide what information will satisfy the target stakeholders' needs at any particular point, which would increase the effectiveness of CSR/SER in providing information. An understanding of the fundamental aspects behind the production of SER data may provide wider and more insightful foundation upon which the research into SER could take place. Moreover, the concept of stakeholder salience offers a perspective by which most CSR reporting and practices are consistent and in line with legitimacy justifications. As it may help to further develop our understanding of company voluntary disclosure practices, this study offers a further refinement of the ways in which legitimacy is sought in the context of SER practices and disclosures. The definition of the type of legitimacy adopted in this framework to help make sense of the role played by an organisation in its societal dynamics can be examined at different levels. The use of the concept of legitimacy enables us to take the social context into consideration alongside those of economic and political power. Therefore, by using a refined framework of stakeholder salience concepts, these theoretical approaches enable the performing of analyses—from both the internal and external perspectives—aimed at gaining an insight into the motivations behind the adoption of specific SER practices by Thai organisations through an investigation of their managers' perspectives.

3.8 <u>Summary</u>

This chapter introduces stakeholder identification and salience as the theoretical framework used to effectively understand the motivations underpinning SER practices. As mentioned earlier, the researcher needed to consider manager perception as previous research had shown that the extent and content of the disclosure may vary depending on managerial values (Mitchell et al., 1997; Parent and Deephouse, 2007). The discussion of the methodology and methods adopted for this research study to gather greater empirical insights will be presented in the following chapter.

Chapter Four: Research Methodology and Methods

4.1 <u>Introduction</u>

The earlier chapters discussed the key existing literature in relation to social and environmental reporting (SER) that guided this study, and the theoretical framework—stakeholder identification and salience theory—that was employed in this research study to seek to understand the motivations behind SER practices in local Thai companies. The purpose of this chapter is to justify the research methodology and methods used to address the research aim and objectives introduced in the previous chapter.

In this chapter, an overview of the different research methodologies is initially outlined, followed by a justification for the use of the middle range approach suggested by Laughlin (1995, 2004) as the core methodological standpoint of this PhD study. Further, supported by the choice of the specific methodology, the following section presents the nature and characteristics of the qualitative approach as the research method of choice for undertaking this research. The fourth section presents the two specific research methods—namely: content analysis and semi-structures interviews—chosen to collect the empirical data. The fifth and sixth sections present the process followed in the pilot study and the main study. In the last two sections, the data analysis and the research ethical issues are provided. Lastly, the chapter's conclusions are presented.

4.2 <u>Overview of the research methodologies</u>

The process of selecting a research approach and a way of thinking needs to be organised in accordance with the researchers' ontology and epistemology. The first thing that it is important to stress is an ontological assumption—the concern regarding the nature of the world or of reality (Laughlin, 1995, 2004). Ontological assumptions shape the way in which researchers view the world and what they consider to be 'real'. This is concerned with "what the nature of existence and the structure of reality are" (Crotty, 1998: p.10). The central point is the question of whether the social world

exists externally and should thus be considered objectively, or whether it is subjectively created through the perceptions and actions of the social actors (Blumberg et al., 2011; Bryman and Bell, 2011).

While ontology is concerned with the nature of the world, epistemology, which derives from it, is concerned with the nature of knowledge. It is concerned with 'how we know what we know' (Crotty, 1998: p.3). In other words, epistemology is a specific way of understanding how knowledge can be known and how people accept knowledge of the world. Epistemology is concerned with whether the knowledge of things subjectively depends on prior experiences or perception, or whether it can be studied based upon the same principles of natural sciences. Ontological and epistemological assumptions are the keys to the nature of different research approaches and of the relationships between the researchers and the subjects being researched. This will be made clear in the following steps pertaining to how to conduct and design a research process (Silverman, 2004, 2009). Therefore, this section outlines the specific methodological approach, based on an ontological and epistemological position that led to the choice of the specific methodology chosen for this PhD study. Two key distinguished research philosophies have been largely accepted in social research—namely: positivism and interpretivism.

4.2.1 *Positivism*

Positivism is the view that it is possible to study social sciences in ways akin to those used by scientists to study the natural world. It seeks to adopt scientific methods to uncover social behaviours in order to create "a prediction and explanation of the behaviour of phenomena and the pursuit of objectivity" (May, 1997: p.10). Positivists try to generate research hypotheses within prior 'complete' theoretical terms which have stood out over the past decade; thus, positivism seeks to achieve hypothetical-deductive generalisations (Patton, 1990), and, with regard to the hypotheses, any issues considered irrelevant might be rejected and/or simply ignored. Gill and Johnson (1991: p.132) stated that positivist research can only be approached by "directly observable phenomena, with any reference to the intangible or subjective being

excluded as being meaningless". Positivists believe that empirical concepts can be directly observed and that, should the study be repeated, the same results must be found. As a consequence, the theories use intention to either confirm or defend data (Chua, 1986; Laughlin, 2004). In other words, observations continue to verify the validity of the conducted theory that was brought to the investigation. Based upon this view, Laughlin (2004: p.272) cited the theory of gravity as an example that illustrates the positivist approach.

At the same time, as knowledge develops through the collection of objective facts unconnected to the researchers' beliefs (Crotty, 1998; Silverman, 2004; Blumberg et al., 2011), researchers should act independently and not get directly involved in the investigation being carried out. Positivist research is conducted free of value and context. Positivists also believe that social phenomena and human behaviours can be explained as the result of real causes that shape them (Livesey, 2006).

According to the concept of positivism, scientific method techniques have the capability of offering an explanation and/or a prediction of social phenomena such as accounting. Van Rensberg and Smit (2004: p.17), describe a positivist framework as being "about finding truth and providing it through empirical means. It is a philosophical position that holds that the goal of knowledge is simply to describe and, in some designs, to explain and also to predict the phenomena that we experience". Under the positivist approach, accounting research is developed by formulating hypotheses that can be statistically tested to provide generalisable findings. For example, the set of hypotheses formulated by Cho et al. (2012: p.491) relied on legitimacy theory in that "firms with a worse environmental performance are more likely than better performing ones to disclose their environmental capital expenditure amounts" because they expected worse performing companies to have experienced regulatory and public scrutiny, so that a larger volume of disclosure would be expected from them. This hypothesis is similar to those found in earlier SER studies (Patten, 1992, 2002; Milne and Patten, 2002; Cho and Patten, 2007; Cho, 2009) that attempted to examine the relationship between company performance and environmental disclosure.

However, the positivist approach may not be appropriate in this study, which aims at understanding the motivations underpinning social and environmental reporting in Thailand. This is a case that deals with people's perspectives and perceptions with regard to the practices of the organisations under research; thus, total reliance on 'complete' defined theoretical terms and on the use of scientific methods can become problematic. Moreover, it may prevent any ability and opportunity to learn and develop a richer understanding and perspective through empirical research (Baker and Bettner, 1997).

4.2.2 *Interpretivism*

Unlike positivism, interpretivism is the perspective that believes that the world is not material and the subject matter of social sciences is fundamentally different from that of natural sciences. Interpretivists hold the view that each person has a different point of view and a unique ability to interpret their experience and meaning (Bryman and Bell, 2011: p.16). Their belief is based on the principle that the world is constructed socially and is given subjective meaning by the social actors. Interpretive research emphasises that what is happening in the social world takes on different meanings reflecting the viewpoints held by different persons. Interpretivists attempt to understand social phenomena by making sense of how people interpret the social world (Blumberg et al., 2011). This implies that interpretivists believe that a generalised fact may not be established, as each research study offers unique empirical insights into practice that are driven by interests and subjective interpretations.

Compared to the natural world, the social world is constantly changing; a specific phenomenon deemed acceptable today may become questionable in the near future. Therefore, the goal of interpretivist research is not to study the causes of human behaviour but rather to understand and interpret the meaning of those behaviours, which are context bound (Livesey, 2006; Silverman, 2009; Bryman and Bell, 2011). In interpretivism, no empirical concepts and no reliance on prior theories are assumed. In this view, researchers become an important part of the research process, which is largely involved and mutually interactive because it depends and relies upon the

researchers and their subjectivity. Researchers are allowed to be involved in the observation process without being guided by theoretical rules on what is to be observed and how the 'observing' should be undertaken (Laughlin, 1995).

Interpretivism does not assume that the realities of the world exist objectively and can be observed directly. Also, it is not about setting and testing hypotheses driven by a defined theoretical framework. Interpretivists believe that knowledge comes from the perception and perspective of the participant who is involved in the subject being researched. In terms of accounting research, Hopwood (1983) suggested that accounting is not a static practice, but that it can change over time. Therefore, analysing and interpreting accounting in the contexts in which it operates will provide useful insights into the interpretation of accounting information and into how accounting is used in the decision making process in particular settings. The interpretivist concept acknowledges that accounting is practiced differently depending on the context in which it operates; therefore, the researchers must take context variations into account in order to develop a better understanding of how accounting is used (e.g., national contexts and national cultures). Previous empirical studies (Baker and Bettner, 1997; Broadbent and Laughlin, 2002; Macintosh, 2004; Gaffikin, 2006) also encouraged the use of the interpretive approach to explore and understand the social impact of accounting on people. Gaffikin (2006) agreed that "it is more appropriate that accounting turn to the methods that recognise the human aspects of the discipline rather than claim an intellectual status akin to that of the natural sciences."

4.3 **Middle-Range Thinking**

The middle-range thinking (MRT) approach proposed by Laughlin (1995, 2004) shares principles with both the two extreme positivist and interpretivist alternatives. It recognises that an empirical situation can be objectively defined through theoretical insights while, at the same time, it can be subjectively and diversely described through the discovery process. In this way, it benefits from the strengths of both the positivist and interpretivist approaches while avoiding the weaknesses of both. MRT employs a positivist approach based on a theoretical framework, whereas it disregards the empirical study details taken from the interpretivist approach in order to make

them meaningful. Therefore, the empirical study is neither strictly based upon prior theory nor it is purely subjective, without any reference to some theoretical framework (Laughlin, 1995, 2004).

According to Laughlin (1995: p.81), MRT is a research approach that "…recognises a material reality distinct from our interpretations while, at the same time, it does not dismiss the inevitable perceptive bias in models of understanding. It also recognises that generalisations about reality are possible, albeit not guaranteed to exist, yet maintains that these will always be 'skeletal', requiring empirical detail to make them meaningful". MRT uses 'skeletal theory' at a broad level to guide the initial empirical investigation and then requires empirical detail to provide greater meaning and flesh out the skeleton theory. Laughlin (2004: p.273) recognised the process of fleshing out the skeletal theory as the "key purpose of the empirical engagement". This idea is to endow the observation process with flexibility. In this view, generalised results may or may not be possible. This may imply that there could be some similarities in various situations, but that the detail will vary from situation to situation. This is why the empirical details need to be investigated and studied. Broadbent and Laughlin (1997: p.625) also suggested that "there is always a possibility of some level of generalisation but the nature of that generalisation is such that it provides some idea of what might be important to understand but not of how it will be affected".

Under the MRT perspective, researchers get the benefit of a skeletal outline provided by prior theory terms in undertaking a research and understanding its background. Therefore, in order to perform the interpretation of the empirical study, researchers should be aware that the empirical findings are not meant to test the theory. The empirical findings are not interpreted based on pure objectivity or by gathering from other theoretically defined situations, as in positivism. At the same time, they are not purely subjective and do not value the context detail without any prior theory reference, as in interpretivism (Burrell and Morgan, 1979: Laughlin, 1995: p.83). Therefore, all empirical data is partial and incomplete (Laughlin, 1995:65).

Table 4.1: The nature and characteristics of positivism, interpretivism, and middle-range thinking

	Positivism	MRT	Interpretivism
Ontology and Epistemology	- The world exists externally - Everything has objective existence - Generalisable world	Skeletal – some generalisation are possible	- The world is socially constructed - Everything is subject to our perception
Role of theory	Strong definable theory	Skeletal theory	No prior theory
Role of researcher	Independent and not directly interacting within the research process	Important as part of the research process	Important and always part of the research process
Method	Structured quantitative method	Qualitative method but subject to refinement	Unstructured qualitative approach method

Adapted from Bryman and Bell (2011), Blumberg et al. (2011), Laughlin (1995, 2004)

In terms of the relationship between the researcher and the data collection process, Laughlin (1995) suggested that, to understand the background of a research topic, researchers may be guided by a skeletal theory through which to undertake the investigation of their empirical study. Agyemang (2006) suggested that the skeletal theory should provide researchers with guidelines for the language and terms that can be useful to understand the nature of the research topic. MRT encourages researchers to engage in the investigation process using their interpretative skills and abilities guided by a theoretical framework in order to interpret the empirical detail. It can be recognised that researchers undertake an empirical investigation to flesh out the skeletal framework with empirical richness so that it may provide a better understanding of a research topic and, more importantly, to answer the research questions. Moreover, when undertaking research, the MRT approach enables researchers to make any necessary adjustments in order to fulfil the research

objectives. In summary, the nature and characteristics of all three methodological assumptions can be illustrated as shown in table 4.1.

4.4 <u>Research methodology in this study</u>

4.4.1 <u>*Middle-range thinking (MRT) approach*</u>

In this PhD study, the middle-range thinking (MRT) approach proposed by Laughlin (1995) was adopted as the key philosophical principle. It supports the view that skeletal theories can guide the specific direction underpinning the research process. The core objective of this study is to provide an in-depth understanding of why Thai companies would wish to engage in SER practices. Therefore, this research study inclines towards the use of Laughlin's MRT framework as it is more concerned with explaining and understanding SER practices rather than attempting to test detailed hypothesis. Moreover, this study does not aim at searching for a generalised truth and/or predictive conclusions regarding SER practices in Thailand. It seeks an understanding of the motivations behind SER practices with regard to the corporate management's view. MRT is appropriate as it allows the complexities and diversity that may result from the empirical engagement to make the empirical data meaningful.

In terms of skeletal theory, this PhD study adopted the stakeholder identification and salience theory to be fleshed out with empirical detail. At the same time, it recognised the importance of the researcher, as the empirical insights are influenced and affected by the researcher's value based judgments (Harding, 1987). The researcher's participation within the empirical process was welcomed and encouraged in order to offer interpretative explanations of specific situations. According to Laughlin (1995, 2004), the use of the MRT methodology tends towards qualitative research methods. Moreover, due to the research aim of this study, aimed at understanding SER practices in Thailand, qualitative research methods seemed to be the most appropriate to address research aim and objectives that require the explanation and understanding of why Thai companies would wish to engage in SER practices. Therefore, the nature and characteristics of the qualitative research method will be discussed in the following section.

4.4.2 *The Qualitative Research Method*

Qualitative research tends to study phenomena that occur naturally in the social world. To examine the social world and interpret the meanings given by the social actors, qualitative research addresses questions of 'how' rather than of 'how many' in order to understand not only the meaning but also the process of social events (Denzin and Lincoln, 2003). Qualitative researches are conducted in adherence with a theoretical framework that guides the development of the research process; they are, however, of flexible and contextualised design (Gephart, 2004; Pratt, 2009).

To examine the reasons underpinning Thai SER practices, this PhD study tends to gain insights and an understanding of their related motivations by using a number of methods. Qualitative researches tend to use the meanings given by social actors to explain how the latter experience reality and understand social phenomena. Conversely, quantitative researches quantify scientific meanings by employing mathematical and statistical considerations (Pratt, 2009). Moreover, qualitative research can provide detailed descriptions, including those of the explanatory processes which underlie social phenomena and the complex relationships between variables (Gephart, 2004; Bryman, 2008). It places an emphasis on understanding other people's perspectives of what is being studied. Covaleski and Dirsmith (1990: p.544) viewed qualitative data as "rich descriptions of the social world, most particularly the meanings attached to actions and events in the language of its principal actors". By contrast, quantitative research methods used "standardized measures so that the varying perspectives and experiences of people can be fitted into a limited number of predetermined response categories to which numbers are assigned" (Patton, 1990: p.14). Therefore, the findings of quantitative research tend to offer broad generalisations, while those of qualitative research are likely to reduce generalisability but provide richly detailed information to augment the understanding of the specific situation being studied.

In qualitative research, the role of the researchers is important as much as the empirical data. Although the empirical process is a dynamic one that links theories and methods, it is greatly dependent upon the researchers' interpretation values (Silverman, 2009; Blumberg et al., 2011). It enables the researchers to make any

necessary adjustment regarding the questions they seek to answer. In this PhD study, the specific qualitative methods need to be defined and structured to show what will be done in the research process and to generate an idea of how research practices will be translated into data in order to analyse and develop findings and insights. Therefore, in the next section, the specific research methods employed in this study, including sample selection, will be presented.

4.5 Research methods in this study

As described in the previous section, this PhD study adopted qualitative research methods based on the methodological stance of the researcher. To understand the reasons underlying SER practices in Thai companies, two specific methods—content analysis and semi-structured interviews—were employed in order to achieve the objectives of this study.

4.5.1 Content analysis method

When initially designing the research method for this PhD study, content analysis and semi structured interviews were used as the data gathering methods; therefore, content analysis is explained within the subsection. However, as will become apparent in section 4.6.3, content analysis proved to be unhelpful in the pilot study; therefore, it was not employed as a core method for the main one.

4.5.1.1 Selection of the sampling disclosures

At the beginning of the process of conducting the content analysis of this study, the identification and selection of the sources of relevant data to be analysed was performed (Krippendorff, 1980). Most prior CSR research used annual reports as key documents because these are usually more accessible and have been widely used by a number of stakeholders (Gray et al., 1995). It can be assumed that annual reports contain credible and reliable information as well as specific corporate information such as, for example, social and environmental data. In terms of reporting practices,

however, the term SER has been variously defined—e.g., corporate social responsibility reporting, corporate social reporting (Beddewela and Herzig, 2013), environmental disclosure (Elijido-Ten et al., 2010), triple bottom line reports (Elkington, 2004), sustainability or sustainable development reporting (Unerman et al., 2007) and corporate social and environmental disclosures (Deegan et al., 2002). As some similarities and overlaps exist between these different types of reporting, SER serves as an 'umbrella' term referring to all the efforts and attempts made by companies to report their social and environmental information. Moreover, in this research study, the limited number of documents studied was selected to ensure completeness of data while avoiding being overwhelmed (Unerman, 2000; Unerman et al., 2007). SERs and annual reports were the only two types of reports to be analysed and examined. As a result, the sample selection of sample was focus on Thai listed companies that produce annual reports and some kind of SER as the primary data source for this study.

The companies' annual reports and standalone SERs necessary to conduct the content analysis were accessed via the company websites. The form of qualitative content analysis was employed to analyse the content of the sample companies' disclosure for the years 2009 to 2013. This recognises that content analysis is to be used to examine SER content based upon the classification and the nature of information being disclosed. It was therefore important to classify and identify the SER themes analysed in this study in order to allow the allocation of the social and environmental disclosures of the sample organisations. According to Milne and Adler (1999), building well-specified decision categories makes the data collected using those instruments reliable. For this reason, the qualitative content analysis method used in this study was based on the categories of disclosures developed by the Global Reporting Initiative (GRI): G4 guidelines (GRI, 2013) (see Appendix 1). This G4 guideline was used by the researcher as a guideline for decisions and helped make such sustainability reports understandable and standardised regardless of organisational size, industry sector, or location.

4.5.1.2 Content analysis process

In this research study, content analysis was utilised to analyse the social and environmental information found in corporate disclosure prior to the interviews. Content analysis has proven to be a widely used data collection technique for social and environmental disclosure (Gray et al., 1995; Abeysekera and Guthrie, 2004). From previous studies (Gray et al., 1995; Unerman, 2000), content analysis is a term which can be used to describe both the quantitative and qualitative approaches to analysing the content of the disclosures. Krippendorff (1980: p.21) defined it as "a research technique for making replicable and valid inferences from data to their context". It is also referred to as a systematic technique for compressing and codifying many words of text into pre-defined categories (Weber, 1990).

In previous empirical studies, content analysis was used to examine the level of and changes in volume of disclosure over a period of time, based on the assumption that changes in corporate disclosure are directly observable in relation to incidents and/or issues affecting the reporting organisations (Patten, 1992; Gray et al, 1995; Neu et al, 1998; Deegan et al, 2000).

In term of the quantitative content analysis, one of the most important aspects was to identify what unit was to be used to measure disclosures. Despite the close links that exist between them, it was important to distinguish the unit used to measure disclosures from that used to identify the themes of disclosures. Previous studies (Belal and Owen, 2007; Amran and Devi, 2008; Islam and Deegan, 2008; Elijido-Ten et al., 2010; Beddewela and Herzig, 2013), usually illustrated the potential link between important issues or themes related to the volume and content presented in the disclosures. Unerman (2000) suggested that measuring SERs in terms of number of words or sentences or page proportions presents both advantages and disadvantages. For example, previous studies argued that using the 'word' as a unit of measurement of social and environmental disclosure has the advantage of counting a greater amount of detail (Zeghal and Ahmed, 1990; Deegan and Gordon, 1996; Unerman, 2000). On the other hand, those who prefer to use the 'sentence' as a measurement unit argued that the meaning of social and environmental disclosures could be recorded and

justified more accurately than by counting individual words (Hackston and Milne, 1996; Milne and Adler, 1999; Unerman, 2000). Milne and Adler (1999: p.243) also suggested that "using sentences for both coding and measurement seems likely, therefore, to provide complete, reliable and meaningful data for further analysis". However, compared to using the 'word' and 'sentence' units, measuring page proportions has the advantage of including both narrative and non-narrative social and environmental disclosure, including graphs, photographs, and figures (Unerman, 2000).

This PhD study recognised the advantage of adopting page proportion as a unit to measure the SER volume of the sample companies. The method used was suggested by Gray et al. (1995) (see, for example, Unerman, 2000; Momin, 2006), each disclosure was identified and coded, then measured by using a template grid divided into one hundredths of a page (a grid with 25 rows of equal height and four columns of equal width) (see Appendix 2). After laying down the grid on each SER, the volume was counted as the number of cells on the grid occupied by a particular disclosure. Abbott and Monsen (1979: p.504, cited in Gray et al, 1995) defined content analysis as: "a technique for gathering data that consists of codifying qualitative information in anecdotal and literary form into categories in order to derive quantitative scales of varying levels of complexity".

During the pilot study, content analysis did not provide detail sufficient to achieve an in-depth insight into the motivational factors underpinning social and environmental disclosures (more detail in section 4.6.3). In this PhD study, the researcher only used content analysis to gain information about report content and the overall nature of a company's business. This provided the researcher with an idea of what was or was not disclosed in SER before moving on to directly collect qualitative data through the interview process (O'Dwyer, 2000). For the main study, it was therefore deemed reasonable to use the content analysis method mainly to assist in gaining background knowledge of the studied companies before the interviews, and possibly to develop a set of more effective interview questions. In other words, the researcher primary used the semi structured interviews as the research method. The content analysis data were not used to provide insights addressing the aim of this thesis.

4.5.2 *Semi- Structured Interview method*

4.5.2.1 Selection of the interviewee sample

The interview method allowed the researcher to gain an in-depth insight into the interviewees' perspectives regarding particular issues (Silverman, 2004, 2009; Bryman, 2008). Conducting interviews required face-to-face conversations; therefore, the sample selection process absolutely depended on the willingness of the sample companies to participate in this research study. More specifically, the interviewee sample for this study was extracted from the sample of companies selected for the content analysis.

The aim of this research is to investigate the reasons underpinning social and environmental reporting and practices in Thai listed companies. Thus, the sample selection was targeted at the management level of Thai listed companies. The main reason for doing this was that senior level management could be expected to have a broad perspective of their organisations' operations and policies and would thus be able to address questions relating to their social and environmental reporting practices. Furthermore, it could be assumed that the interviewees would have "had some input into the formulation of corporate annual reports and that this may have exposed them to the issue of CSR at some stage" (O'Dwyer, 1999: p.243).

Thus, due to the authorisation process required, it could possibly have been difficult to negotiate and convince companies and individuals to participate in this research study. Especially, it was crucial to gain access to the personnel at the management level of the sample companies. Key personnel, such as senior managers, is generally very busy with its work commitments and meetings and often does not even have the time to make appointments. Time limitations seem to be the obstacle that makes them reluctant or unwilling to participate in research studies (Humphrey and Lee, 2004). The difficulties in finding corporations willing to participate in the undertaking of researches are known by and are a concern of researchers. On the other hand, prior

researches (Humphrey and Lee, 2004; Yin, 2011) suggested that researchers can contact potential interviewees directly in order to avoid the complexity of organisational approval processes.

For the initial contact, the potential interviewees' names were listed from corporate reports and personal contacts of colleagues in the specific companies, if available. Letters, which included an outline of the research and of the research topic, were sent to the potential interviewees to request their participation. All interviewees and their companies were given assurance of privacy and confidentiality by not being identified in the research documents. These letters included information on the researcher's background to enable the interviewees to get a broad idea of the scope of the research areas and process before commencing the actual interviews. When any potential interviewees failed to respond to the letters, a follow up contact attempt was made by email and/or telephone if possible. The letters also included a request for permission to digitally record and subsequently transcribe the interviews. When the recording was agreed upon and if requested, the interview transcripts were sent out to the interviewees for their examination. The recordings enabled the researcher to capture the interview data more accurately and also to pay more attention to the interaction with the interviewee (Patton, 1990). However, in the case of those interviewees who were not willing to be recorded, detailed notes were taken during the interview process.

4.5.2.2 The interview process

Kvale and Brinkmann (2009: p.3) defined research interviews as "conversations that have a structure and a purpose and go beyond the spontaneous exchange of views in everyday conversations, becoming a careful questioning and listening approach". In this study, semi-structured interviews were employed to generate an understanding of SER practices in the Thai context by investigating the interviewees' perspectives towards them. The adoption of interviews as a method facilitated the researcher in obtaining a subjective perception and understanding of SER practices. The interviewees' opinions and views were recognised as key information which helped in gaining an understanding of the practice of SER in the Thai context. The recognition

of the importance of individuals in creating a form of reality is explicit. The use of semi-structured interviews also enabled the most natural interaction possible between the interviewer and the interviewees. It encouraged the interviewees to speak their minds and to share specific perspectives and information (Patton, 1990; Roulston, 2010).

To use the semi-structured interview method, an interview guide needed to be developed; this was a series of written questions or issues the content of which emphasised the study questions. A draft of the interview questions was drawn from a review of the SER literature, research questions, theoretical framework, and content analysis process, as well as from the researcher's own experiences. The interview guide was developed to ensure that the interviewees' perceptions would remain focussed upon the particular subject areas to the extent to which the research intended but not to the point of overly structuring the inquiries (Bryman, 2008; Saunders et al., 2009). Patton (1990: p.278) also suggested that, when conducting an interview, the researcher should not "put words into the interviewee's mouths but access their perspectives on CSR and corporate social responsibility".

Due to the nature of this research study, the interviews were flexible and also afforded the researcher the freedom to explore further by asking additional questions, including changing the order of the questions in ways that could have highlighted particular perspectives relating to the research topic. This reflects the advantages of using the MRT approach, which recognises the importance of the researcher's participation and involvement. The interview guide served as a list to ensure that the same issues were addressed with all interviewees, while by no means disregarding any emerging and interesting issues that could have been learned during the interview process. Saunders et al (2009: p.243-244) emphasised that "the researcher will have a list of themes and questions to be covered, although these may vary from interview to interview. This means that you may omit some questions in particular interviews, given a specific organisational context which is encountered in relation to the research topic. The order of questions may also be altered depending on the flow of conversation. On the other hand, additional questions may be required to explore your research question and objectives given the nature of events within particular organisations. The nature

of the questions and the discussion mean that data were recorded by note taking or perhaps by tape recording the conversation".

It is also important to point out that the interview questions were open-ended and had a clear focus that could be easily understood by the interviewees. Also, in order to enable and encourage the interviewees to explain and participate in the conversation, all interviews were conduct in Thai and there were no 'right' or 'wrong' answers. A number of interview questions were designed based on the review of the relevant literature and the preliminary results of the content analysis. Previous studies (Bryman, 2008; Bryman and Bell, 2011) also suggested that the interview questions should be evaluated and reviewed by academics who are experts in the field of the research to ensure validity, clarity, relevance, and completeness.

At the beginning of each interview, the interviewer would introduce the objective of the research and guide the direction of the interview. It also reassures the participant that there are no right or wrong answers to the questions and that their responses will be treated in confidence. Generally, to establish a rapport, semi-structured interviews start with broad general questions on background information about the interviewee before focussing on the planned interview scripts (Saunders et al., 2009; Blumberg et al., 2011). However, it is important to consider that the opportunity to have access to interviewees can affect response and that interview bias is at its most pronounced in face-to-face interviews (Neuman, 2010). Interview data can also be affected by the interviewees' emotional states at the time in which the interviews take place. Thus, the researcher tried to establish a relationship before the interviews started in order to reduce any unease/tension between her and the interviewees.

Immediately after the interview process, reflection notes were written up for each interview as they would help to record key points—including key words, general observations, interviewee reactions and so on—emerging throughout the interview process. These notes provided additional useful information for the analysis of the empirical data (O'Dwyer, 2000).

4.6 <u>The Pilot Study</u>

As described earlier, this study collected its empirical data through two methods: content analysis and semi structured interviews. To this end, a pilot study was initially carried out to gain experience of the data collection process and also to get an idea of the aspects of social and environmental reporting in Thailand before commencing the main study. This pilot study was conducted in July and August 2014 with a total of six interviewees from one of the largest manufacturing companies in Thailand.

4.6.1 <u>The Sample selection and Content analysis process</u>

In the pilot study, the selection of the sample company was based upon a selection of "best practice" exemplars (see Gray *et al.,* 1995: p.87). The sample company was listed in the Thai Stock Exchange as of 31 December 2013 (due to the study period). There were several reasons for choosing this particular sample. Firstly, the aim of this study is to investigate the motivations behind the undertaking of SER practices by Thai companies; therefore, all sample companies needed to have produced some kind of relevant report providing information in regard to social and environmental issues. Secondly, this research study involved face-to-face interviews, so participation by the sample companies was a key factor in the sample selection process. Lastly, this study intended to select the "best practice" companies because this would likely increase the chances of finding the best corporate practices in regard to social and environmental issues. However, it should be noted that, had the findings gathered in the pilot phase proved not to be sufficiently fruitful and not suitable to provide some theoretical clarification to the research design, the data collection plan, including the sample selection process, would have needed to be refined (Saunders et al., 2009).

Within the content analysis, the annual report and standalone sustainability report provided by the sample company contained detailed information, including the company profile, the CEO's message, the mission statements, organisation chart, and business overview and so on. This information proved to be very useful and provided the researcher with a valuable database. Moreover, it included specific dates and the spelling of specific names of sustainability activities and events, detailed numbers

pertaining to sustainability performance data, the explanation of technical terms, and the specific language used in the company's vision, business philosophy, and other communications. After reviewing the documents and familiarising with their contents, the researcher had formed a good picture of the background information relating to the sample company and to the overall nature of its business. Content analysis enabled the researcher to manage and reduce the complexity of the large amount of data into the structured themes which were relevant to the study's context. Additionally, content analysis was useful to examine the data from specific years and/or over a period of time. Besides, the report content was analysed for data patterns, presentation, similarities or differences over time in order to reflect data trends. During this content analysis pilot study, any issues of concern regarding the achievement of the research objectives were listed in order to ensure that they would be addressed during the semi-structured interviews.

4.6.2 *The semi-structured interview process*

In the pilot study, the six interviews were conducted in Thai and ranged from 45 minutes to 1 hour and 20 minutes in duration (as shown in Table 4.2). At the beginning, the potential interviewees' contact details were initially obtained through personal contacts with colleagues in the sample company. Letters, which included an outline of the research and of the research topic, were sent to the potential interviewees to request their participation. These letters also included the background information of the researcher as this allowed the interviewees to get a broad idea of the scope of the research areas and process before commencing the actual interviews. The researcher was aware that the use of semi-structured interviews as the research method could have resulted in the disclosure of very sensitive or private information. However, the researcher preserved the anonymity and confidentiality of both the participating interviewees and the sample company throughout the course of the study. The guarantee of confidentiality was mentioned in the interview invitation letter, which informed that any private information (names, etc.) would not be disclosed without the prior consent of the participants. For that reason, a consent form (see Appendix 3) was prepared. It covered standard points, such as the voluntary nature of the interview, the interviewee's right to stop the interview or withdraw at any time

during the interview, the permission to digitally record and/or to choose not to respond to any question.

Table 4.2: List of Interviewees from pilot study

Organisation	Industry	Location	Participant	Position
Organisation A	Manufacturing	Bangkok	A1	Corporate Services Division -Manager
		Bangkok	A2	Corporate Services Division -Officer
		Bangkok	A3	Assistant CSR Manager
		Bangkok	A4	CSR Manager
		Map Ta Phut–Rayong	A5	Sustainable Development - Manager
		Map Ta Phut–Rayong	A6	Sustainable Development- Executive Consultant

At the beginning of the interview process, the interviewees were once again informed that they had the right to withdraw at any time without penalty and that their responses would be treated in confidence. The researcher clarified the nature of the interview questions and that there were no 'right' or 'wrong' answers. The interviewees were encouraged to express their opinions freely, which was critical, in the context of this PhD research, to generate an understanding of the motivational factors behind SER practices by investigating the interviewees' perspectives towards them.

Moreover, giving interviewees an impression of trustworthiness should be taken into consideration to make them feel comfortable about expressing their opinions, potentially reduce the risk of response bias, and increase the reliability of the empirical data. Accordingly, at the beginning of all interviews, the researcher first sought to establish good relationships with the interviewees by thanking them for participating in the study, introducing her background, explaining the objective of this PhD study, and discussing its general subject. After that, the interview process was

illustrated. The interviewees were then asked to sign the consent form and give their permission to tape the interview conversation. All six interviewees consented to having their responses digitally recorded and agreed to sign the consent form. In this pilot study, the interviewees did not express any concern about signing the form, nor did they ask any questions. This may have been a result of the trust established from the very beginning of the conversation.

To provide the interviewees with the freedom to provide their information, the interviews started with broad questions. The first question was simply related to the roles held by the interviewees' in the company. These questions were asked to build a conversational style that was as natural as possible, rather than bombarding the interviewees with sophisticated words and terms. In the course of the interviews, the researcher was required to not only ask the significant interview questions but, simultaneously, to carefully and actively listen. During the interviews, thinking about how to respond to the interviewees' answers and reactions, how to make an argument and how to ask the next question became an extremely challenging task. This pilot study gave the researcher a chance to develop a way of thinking and gain significant knowledge in regard to effective communication. At this point, the document analysis, presented in the form of a database, proved to be very helpful. It provided a valuable background of the sample company's information, which complemented the interview process, raising the researcher's confidence during it. Moreover, since it had made the researcher familiar with the language used in the disclosures, the content analysis also allowed her to maintain a good flow of conversation by removing the need to ask the interviewees, for instance, how to spell a particular name or technical term. Moreover, the recordings also enabled the researcher to capture the interview data more accurately and also to pay more attention to her interactions with the interviewees (Patton, 1990).

In searching for in-depth empirical data, more detailed questions on the interviewees' perceptions of SER practices were raised. However, the sequence in which the questions were asked varied for each interview depending on the interviewee's responses. The interview guide helped the researcher to decide how and at what stage to ask the next question. Extensive notes were also taken during the interview process. This approach, without interrupting the conversation, helped the researcher to take

note of any significant issues or ideas brought up by the interviewees. These specific issues then warranted further clarification and explanation from the interviewees before the discussion was shifted to another question. Before the end of the interview, the researcher also asked the broad question of whether there were any other important issues or concerns in relation to SER practices that the interviewee felt the need to discuss. This question enabled several interviewees to summarise their previous answers, provide more detailed explanations and examples.

The researcher had to remain focussed even when the tape recorder was switched off, since the interviewees sometimes continued to provide very relevant information related to SER practices. In these cases, the researcher quickly began to take notes; however, whenever it became clear that the interviewee intended to continue speaking for some time, the researcher asked whether it would be possible to turn the recorder back on, which proved not to be a problem. Finally, before leaving the interview, the researcher sincerely thanked the interviewees for their time and for the information provided. When necessary, the researcher then contacted them again via email to clarify some answers. Immediately after the interview process, the researcher took some time to write up reflection notes for each interview, as these helped to record key points—including key words, general observations, interviewee reactions, and so on—that had emerged throughout the interview process. This detailed summary was made to increase the effectiveness of the notes and provide additional useful information for the analysis of the empirical data (O'Dwyer, 1999). Momin (2006) also suggested that this process contributes to the reliability and validity of the data collected in the interpretation analysis and writing process. As all interviews were conducted in Thai, the interview transcriptions generated key codes and themes in that language, which were then translated into English. The translation attempted to convey the meanings that were considered to be helpful in the understanding of the themes and concepts, rather than just translating word-by-word. This would also save time by eliminating any excess from each individual interview transcript.

4.6.3 *Difficulties faced in conducting the pilot study*

The pilot study for this PhD research was conducted in preparation for the main one. It should be recognised that the pilot study helped the researcher to identify the practical problems that could present themselves during the data collection process. In addition, it enabled the verification of whether the proposed research methods were applicable as well as validating the improvements made to the main data collection process.

Several limitations in the use of content analysis affected the pilot study. As indicated in an earlier section, content analysis captures the "quantity" of disclosure—in terms of the frequency and volume of reporting—rather than its "quality" characteristics (Deegan and Rankin, 1996). It had been recognised that the use of a grid to measure the disclosure volume in terms of page proportions was not likely to address this PhD study's objective: the motivational factors underpinning SER practices in the Thai context. This was because it would not necessarily have provided insights into the underlying reasons for the adoption of SER practices by Thai companies and, moreover, it could have been time consuming. Additionally, the use of content analysis to collect data in trying to seek explanations would have been limited to the 'content' of the information voluntarily disclosed by the companies. Any conclusions drawn from content analysis alone could have been questionable, as the researcher could not have determined the reasons behind the choice of the content disclosed or why other possible disclosures had been discarded. Several other issues of concern also surrounded the use of the grid to measure the volume of disclosure. For instance: a lack of accuracy in measuring the exact volume of disclosure in certain categories; the measuring of non-A4 page formats, or any blank spaces in the disclosure pages.

Since the GRI: G4 had only been launched in May 2013 and due to the limited understanding of these guidelines during the early stages of the pilot study, the researcher was unfamiliar with some of the social disclosures included in them. Therefore, the earlier GRI: G3.1 (GRI, 2013) guidelines had to be examined in order to become familiar with their scope and implications prior to beginning the main study. To this end, the researcher browsed the GRI's sustainability disclosure database to view an example of a report based upon the GRI 3.1 guidelines and get the essential information that would be of help when examining the reports and conducting the content analysis.

While conducting the pilot study, the use of interviews highlighted some difficulties that needed to be considered before commencing the main one. First of all, gaining access to the potential interviewees was a crucial process. While access to the first interviewee was gained through the researcher's personal contacts with other employees of the sample company, access to other relevant parties, needed in order to progress the research, and was helped by the first interviewee suggesting key persons in the SER subject area. For instance, the interviewee provided the names of some who could be recommended as key experts in this area or who were directly involved with SER practices or had authority in regard to these particular issues. Among the persons suggested for the pilot study, some held very different views, while others shared similar ones. The researcher found this recruitment technique to be very helpful in gaining access to additional research participants. This kind of sampling method, by which current research participants are asked for assistance in recommending or referring other potential ones, is called 'snowball sampling' (Yin, 2011).

After having conducted a couple of interviews, the researcher recognised that some of the interview questions seemed to address the same issues while, at the same time, others covered more than one issue. The use of semi-structured interviews in the pilot study proved to be valuable, as it enabled the researcher to further refine the interview questions to gain a greater in-depth understanding of SER practices in Thailand. Thus, some of the repetitive questions were removed and some that covered more than one issue were split into separate questions. At the same time, the issues that emerged during the interviews were also incorporated in the list of interview questions. The researcher was aware that revising the list of interview questions would require a large amount of time. Indeed, in doing so, she had to revisit the theoretical framework and the relevant existing empirical studies in order to develop meaningful and significant ideas; these were used to follow up the specific topics that had emerged during the pilot interviews and to seek out a deeper understanding of SER practices within the sample company and in the Thai context.

Minor interruptions, such as background noise, can be considered as difficulties in conducting interviews. One of the interviews took place after lunch break in the company's cafeteria, which provided a very relaxed atmosphere. However, the background noise made this task difficult, particularly with the use of a recording device, the efficient use of which was found to be relatively problematic. Moreover, the cafeteria was an area open to both employees and visitors; this could easily distract both the interviewer and the interviewee and lead to the interviewees feeling unable to freely express themselves. When the interviews were conducted in a meeting room or in the interviewees' offices, such background noise was absent. Therefore, a suitable interview setting needed to be considered, as it would make the interviewees feel more comfortable and facilitate the interview process.

4.7 **The Main Study**

The main study was carried out from December 2014 to March 2015. A total of 26 individuals from ten organisations, including two individuals from the pilot study organisation, agreed to participate. The energy and manufacturing industry sectors were specifically chosen. The next section will explain the reasons why these two sectors were considered to be appropriate for this study. This will be then followed by an outline of the process of content analysis and semi-structured in-depth interviews.

4.7.1 *The Sample Selection*

From the existing literature, industry sector classification is a generally accepted factor by which to group the nature of corporate activities. Commonly, companies are categorised based upon the nature and implications for the environment of their operations. Due to the socially and environmentally sensitive nature of their work, those industries with a higher inherent environmental impact are seen as being more high-profile; as such, they are subjected to greater pressures than others with respect to environmental concerns and are likely to face a higher risk of being criticised in terms of corporate responsibility issues. Consistently, a previous study (Patten, 1992) noted that the extent to which companies face public pressure regarding social issues varies across industry sectors. For example, oil and gas companies tend to produce

more pollution than others; hence, they are subjected to higher levels of public pressure regarding their environmental impact and product safety.

In this PhD study, the affiliation to a particular industry sector is considered to be one of the factors related to the concept of the 'social contract', used to represent the relationship between an organisation and the society within which it operates. There is thus an a-priori expectation that the stakeholder group relating to each industry sector may vary. Also, the expectations of each stakeholder group can differ based upon the industry sector to which it is linked. At the same time, an organisation's motivation for the adoption of SER practices can be expected to differ based upon the industry sector in which it operates.

4.7.1.1 The energy sector

Energy companies were included in the sample as their sector represents a useful example of an environmentally sensitive industry operating in highly differentiated social and political contexts. These sample companies were selected from the oil and gas, electric power, and petrochemical sub-sectors. Global awareness of the insecurity of the energy supply and of the need to source clean and renewable energy, reduce carbon emissions, and contain the overconsumption of energy is increasing while both domestic and global demand for energy keeps growing, damaging natural resources and the environment. As mentioned earlier, the more environmentally sensitive a company's industry sector, the greater the public attention it receives; it can be thus seen that affiliation to a specific industry sector can potentially affect the degree of social and environmental disclosure of a company. Energy companies, belonging to a higher environmental impact sector, are found to disclose more environmental information than others. Likewise, within the energy industry, larger companies with higher public visibility are more likely to disclose CSR information than smaller, less visible ones. The nature of energy sector operations sees this industry usually involved in transforming natural resources into primary products. Therefore, energy company activities face a high risk of being associated with directly damaging the natural environment and being hazardous to public health. These effects can also

persist in the ecological food chain for many years and have widespread and long-lasting health impacts.

In term of SER practices, energy companies are more likely to experience stakeholder pressure to adopt CSR activities and to take the initiative in disclosing the related information via SER, especially for environmental related issues.

4.7.1.2 The manufacturing sector

In the 1980s, during its period of economic growth, Thailand underwent a transformation from an agriculture- into a manufacturing-based economy, which has played a crucial role in the country's overall economic development. In the past, due to its cheap labour costs, Thailand enjoyed a comparative advantage in labour intensive industry sectors. Labour-intensive manufacturing industries—mainly garments, textiles, and jewellery—have played an important role in the Thai economy as major export industries and as the main sources of employment, greatly contributing to the country's economic growth. Therefore, the provision of suitable employment opportunities and working conditions has become the major concern of many manufacturers during the past decade. However, the constant increase in the cost of labour has since reduced Thailand's relative advantage with respect to other low-wage countries like China and India, and to neighbouring countries like Vietnam and Cambodia.

More technologically advanced manufacturing industries—such as those producing electrical goods, computer components, and auto parts—have become higher value industries and contribute to economic growth. Manufacturing companies use high-technology to develop environmental-friendly products and support their business operations in regard to social and environmental responsibility. At the practical level and even within the same industry sector, there is still a wide gap in dealing with CSR activities and SER practices between those companies that report and those that do not. In this study, the sample companies were drawn from different manufacturing sub-sectors: electrical goods, cement and building materials, textiles, and plastic packaging.

4.7.2 *The content analysis process*

As mentioned earlier, the content analysis method enabled the researcher to obtain and manage a large number of company documents, such as the annual report and the standalone sustainability report, for the whole period of the study. At the same time, it also provided an opportunity to ensure that the GRI: G4 guidelines would work well in the context in which it was intended to be used for the coding process. For example, it suggested categories and aspects which needed to be considered when coding company disclosures. However, a content analysis process that exclusively relied on specific company documentation (for example, annual reports and SERs) would provide only a partial depiction of SER practices. Previous studies acknowledged that focussing exclusively on annual reports "may result in a somewhat incomplete picture of disclosure practices" (Roberts, 1991: p.63). Ideally, all corporate public communication—such as press releases, advertisements, newspaper articles, corporate brochures, and internet materials— would need to be considered in order to provide a complete picture and up-to-date information of company CSR practices (Zeghal and Ahmed, 1990; Roberts, 1991; Unerman, 2000). Therefore, in the main study, the relevant documents—such as all corporate documentary evidence, third party documents and academic journals—were taken into account.

On the other hand, it can be seen that content analysis would be used to measure the amount of and/or comparative trend of disclosure which could be found in many previous researches (Guthrie et al., 2004; Guthrie and Abeysekera, 2006). The page proportion by which a theme is measured only provides a quantitative analysis, but no possible reasons for and insights into the underlying motivations. The kind of information provided by content analysis would be appropriate to indicate the prevalence of a particular aspect in the disclosures; however, it would still be quite difficult to understand the reasons why a sample company had initiated its disclosure practices.

4.7.3 *The semi-structured interview process*

In this PhD study, the interviewee sample was extracted from the sample of companies selected for the content analysis. Twenty-six interviews were conducted in

Thai language; they ranged from 30 minutes to 2 hours and 15 minutes in duration. The interviews were carried out at the respective offices of the participants during their normal office hours. The interviews were conducted as the primary component of the data collection process that also included content analysis. The use of interviews as a source of primary information enabled the researcher to understand and gain insights into the overall process of SER practices and activities. Nevertheless, a list of relevant concerns had been noted during the pilot study interviews.

Firstly, the difficulty in gaining access to the potential interviewees. To solve this problem for the main study, the researcher decided to continue to employ a 'snowball sampling' technique in order to obtain a sufficient number of interviewees. This technique involves sourcing recommendations from existing research participants to refer other potential ones within the same interest areas. As had been shown in the pilot study, this technique proved to be useful to contact personnel at the companies' management levels. The pilot study had also raised the question of whether the researcher should investigate multiple companies or limit the scope to a single one while exploring it more in-depth in the main research study. Indeed, the initial plan for the interview process had been to conduct multiple interviews from each sample organisation. In effect, any request for further participants from the pilot study sample company could have posed a problem due to human resource and time constraints. Therefore, the researcher needed to arrange interviews among a larger number of organisations in order to generate a greater in-depth perspective. The initial experience of the pilot study also helped the researcher to realise the importance of flexibility in dealing with unexpected changes and challenges. This also reflects the methodological use of middle-range thinking (MRT), which enables the researcher to make any necessary adjustments to the research study.

In some cases, during the data collection process, the interviewees expressed the desire to assess in advance the interview questions that they would be required to answer. Thus, they requested the interview question list in advance. Initially, the researcher was concerned that such a preview of the questions could lead to the possibility of acquiring unreliable data or to the risk of response bias. The interviewees' ability to prepare their answers well in advance would make the

interview process totally and significantly different from an off-the-cuff discussion of the topics. As a matter of fact, the advance disclosure actually turned out to be very useful since two out of three interviewees who had requested the interview question list asked colleagues who were key experts within the field for help in expanding their answers, providing detailed examples and internal documents to support their claims, or discussing additional related topics that were not covered by the interview questions. Although this somehow turned out to be an effective procedure, it was not fully adopted throughout the interview process.

Based upon the pilot study experience, the researcher found it reasonable to amend the initial list of interview questions to produce the final version that was used in the main study. The interview questions needed to be revised and developed in the light of the initial findings and ideas that had emerged during the pilot study and that could later prove to be useful in making sense of the data and gain greater in-depth insights. Accordingly, the interviews began with broadly based questions, followed by some relating to SER practices. It was crucial to ask the right questions in order to collect the sheer richness and variety of the empirical data, besides performing an effective interpretation and analysis. The pilot study experience had suggested that some of the problems linked to conducting an interview research were, for example, how to respond to the interviewees' answers, how to formulate consequential questions, how to ask follow-up questions based upon the interviewees' responses, and/or how to ask further questions to explore any related issues in depth. In practice, the researcher usually asked the interviewees to provide additional detailed information or supporting data to illustrate the reasons underlying the issues they were mentioning. For example, "Could you please provide examples or information to further support this claim?" These tactics were aimed at generating more in-depth insights regarding the issue of SER practices and, at the same time, at encouraging the interviewees to share specific perspectives and information. The researcher often tried to verify the accuracy of her perceptions by re-phrasing the interviewees' answers—e.g., ''Let me tell you how I understand this and please tell me if I am correct''. This enabled the interviewees to highlight specific perspectives in greater detail and, in particular, to bring out any contradictions in their ideas (Marginson, 2004).

As mentioned earlier, to give the researcher background knowledge of the sample company, the content analysis took into account the social and environmental disclosures both in terms of context and of the amount of data being presented. Additionally, the interview data provided a great variety of interviewee standpoints about their companies' motivations for the disclosure of social and environmental information. The combination of the data collected directly from a management perspective and of those collected through the content analysis would present a more complete picture. Therefore, these two sources were assessed collectively to gain a greater insight into corporate motivations behind SER practices in the Thai context.

This main data collection proceeded on the basis of 'theoretical saturation' to help the researcher determine when to stop interviewing. Corbin and Strauss (2008:263) defined theoretical saturation as "…the point in analysis when all categories are developed in terms of properties, dimensions and variations. Further data gathering and analysis will add little new to the conceptualisation, though variations can always be discovered". In this study, the researcher continued collecting the interview data up to the point at which the data seemed to present similar instances and no new information was emerging. This was when the researcher achieved empirical confidence and recognised that additional data would not add any new insights to her understanding or to what she already knew. Therefore, rather than attempting to collect a larger quantity of interview data than was necessary, the researcher decided to stop the process. This reflects the advantage of using middle-range thinking as the philosophical assumption underpinning this research study; it recognised the importance of the researcher's participation and, at the same time, it enabled her to make any necessary adjustments. Overall, a total of 18 interviews were conducted with 26 interviewees. A list of the interviewees is shown in Table 4.3.

Table 4.3: List of Interviewees from the main study

Organisation	Industry	Location	Participant	Position
Organisation A*	Manufacturing	Map Ta Phut Industrial Estate –Rayong	A5*	Sustainable Development - Manager
			A6*	Sustainable Development - Consultant
Organisation B	Energy	Bangkok	B1	CSR Strategy Manager
			B2	CSR officer
Organisation C	Energy	Bangkok	C1	Sustainability Strategy Officer
			C2	Sustainability Strategy Officer
Organisation D	Energy	Laem Chabang Industrial Estate - Chonburi	D1	Sustainability Management Project -Manager
			D2	Sustainability Management Project -Officer
			D3	Sustainability Management Project -Officer
Organisation E	Manufacturing	Bangkok	E1	Public Relation Officer
Organisation F	Energy	Bangkok	F1	Vice President
			F2	Project Manager
			F3	Corporate Sustainability – Senior Officer
			F4	Corporate Sustainability – Officer
			F5	Corporate Sustainability – Officer
Organisation G	Manufacturing	Map Ta Phut Industrial Estate –Rayong	G1	CSR Department – Senior Manager

			G2	CSR Department – Manager
Organisation H	Energy	Laem Chabang Industrial Estate - Chonburi	H1	Corporate Strategic Planning Department – Assistant Manager
Organisation I	Manufacturing	Samutprakarn	I1	Vice President
			I2	Assistant to VP
			I3	Director
			I4	Management Representative
			I5	Innovation and Sustainability Manager
			I6	Innovation and Sustainability Officer
Organisation J	Manufacturing	Nonthaburi	J1	CSR Manager
			J2	CSR Officer

*Organisation and participants from the pilot study

4.8 <u>The Data Analysis</u>

For the data analysis process, the recorded interview conversations needed to be transcribed in order to prepare the data for analysis. In this study, the researcher transcribed the recordings herself. It has to be acknowledged that transcription is a time-consuming process. However, the researcher found it very useful as it gave her some ideas and helped her understand what the interview data implied or meant, as the analytical and critical thinking sometimes emerged during the transcription process. As all interviews were conducted in Thai, the interview transcriptions generated key codes and themes in that language before being translated into English. The translation strived to convey the meanings considered to be helpful in the understanding of the themes and concepts was generally performed, rather than translating word-by-word. This saved time and removed any excess from each individual interview transcript. To ensure accuracy, each complete interview transcript was sent to the respective interviewee to allow clarification and the addition

of any further comments. This process also allowed the researcher to follow up and investigate possible issues that had emerged during the transcription and analysis process. Although it could be argued that providing the interviewees with the possibility of changing their transcripts may significantly alter the meaning of the data (Horton et al., 2003), only a few interviewees actually replied and sent back edited transcripts. The modifications consisted of language or wording improvements but did not change the original meanings expressed during the interviews.

In accordance with qualitative data analysis (Bryman, 2008; O'Dwyer, 2011), each interview transcript was coded by developing numerous key themes. The process of coding was employed to provide evidence reflecting the interviewees' ideas on any emerging themes and also helped to reduce the transcript volume. Moreover, the detailed recorded transcripts, memos from general observation, and interview summaries were noted and analysed to extract the discussion and conclusions. Then, the empirical data were analysed both manually and through the use of the NVivo software package. Bazeley (2007: p.8-11) suggested that the researchers' input is vital in the data analysis process as they possess the theoretical perspective to understand the nature of social reality, which the software does not. The NVivo software is useful to organise the various types of data files to be stored in a single database. These data files can originate from the interview transcripts, notes, memos and corporate reports, and from other documentary sources and literature review papers; and can come in the form of Word documents, PDFs, pictures, tables, social media data, video files, and web pages. NVivo also gives the researcher the ability to manage large amounts of data with consistent coding schemes.

Afterwards, conceptual matrixes were developed to summarise and categorise the core themes discussed by the interviewees and to explore thematic matrices across interviews. The matrices were then broken down by splitting the interview transcripts into the energy and manufacturing industry sectors. This therefore enabled the researcher to develop the big picture in her data analysis. Examining the matrix based on industry sector also aided in identifying any linkages and contradictions between interview and industry sector. At this point, the manual interpretation of the data was resumed. The researcher relied on the understanding of the stakeholder identification and salience theoretical framework introduced in Chapter Three to categorise the

themes into a more manageable structure. The more refined theoretical framework shown in table 3.1 of Chapter three was revisited.

Table 3.1: Summary of stakeholder attributes: power, legitimacy, urgency.

Power	Legitimacy	Urgency
Coercive power – control based on the application of physical means	*Pragmatic legitimacy* – rests on the self-interested calculations of an organisation's most immediate audiences	*Time sensitivity* – the degree to which managerial delay in attending to a claim or relationship is unacceptable to the stakeholder
Utilitarian power – refers to the use of material, remunerative, or extrinsic rewards	*Moral legitimacy* – based on a judgment with regard to whether an activity is 'the right thing to do'	
Normative power – based on prestige, esteem, and acceptance.	*Cognitive legitimacy* – based neither on interests nor on moral motivations, but rather on 'comprehensibility' or being 'taken-for-granted'.	*Criticality* – the importance of the claim or relationship to the stakeholder

Adapted from Etzioni, 1964; Suchman, 1995; Mitchell et al., 1997.

The 'stakeholder attribute' analytical lens was used to help identify any further themes and proceed with the data interpretation process. This led to the preparation of a more systematic representation of the key findings. However, there was no intention to make the interview data fit the analytical lens and themes; rather, they were used to clarify relevant key themes and develop a more focused picture into the analysis process. In this regard, O'Dwyer (2004:403) stated, "I was wary of any such tendency to try and make my description 'fit' into the lens being used as this would have necessitated excluding crucial insights and contradictions thereby ensuring that emerging narrative 'failed' my analysis." Therefore, when the interview quotes appeared to represent and support a particular theme, the researcher left the interview data to reflect the insight in order to enable the reader to witness the interviewees'

voice (O'Dwyer, 2004: p. 403). This also enabled overlapping within the same interviewees' quotes, which could sometimes fall into different themes. In presenting the narratives, the interpretation and discussion were drawn from the analysis of the coded responses to the research objectives. The interview data were used to address the research aim of this PhD research study in order to strengthen its research finding and analysis.

4.9 <u>Research Ethics</u>

The research process involved human participants and was therefore sensitive to ethical considerations. A code of ethics can provide practice guidelines to ensure that participants are protected from harm, discomfort, or danger, and that they are assured of privacy and confidentiality (Sommer and Sommer, 2002). Thus, the research relied on the Research Ethics Guidelines of the Royal Holloway University of London (RHUL, 2010). All participants were given a clear description of the study's purpose and advised about what was expected of them. All participants were also given assurance of anonymity and were informed that their interview transcripts would not be examined by any other members of their own organisations. Before embarking on the interviews, both the interviewer and interviewees were required to sign a consent form. In addition, all participants were given the possibility to withdraw from the study or discontinue it at any time.

The personal interview transcripts could only be accessed by the researcher and the supervisors. The companies' and individuals' names are not mentioned in this thesis. However, the position held by each interviewee may be mentioned but is presented in such a way as to avoid identifying the individual and connecting him or her with a company. In addition, the empirical findings are only reported in aggregate form so as to protect the anonymity of the respective corporations.

4.10   <u>Summary</u>

The research methodology and methods used in this study were highlighted in this chapter. The middle-range thinking approach developed by Laughlin (1995, 2004)

was adopted as the key philosophical underpinning of the data collection process. The two research methods employed in the study—i.e., content analysis and semi-structured interviews—were discussed in detail. This chapter outlined how qualitative and quantitative content analysis was undertaken and how the semi-structured interviews were conducted. It also included the limitations of each method, as identified during the pilot study, and presented the recommendations for conducting the main study. The next chapter will present the detail of the Thai context in which this study took place.

Chapter Five: The Thai Context

5.1 Introduction

In the previous chapter, a review of existing empirical studies, the theoretical framework, and the research methodology adopted to gather the empirical data were presented. The aim of this PhD study is to investigate the motivations underpinning the social and environmental reporting (SER) practices of local Thai companies. It is therefore important to review the contextual setting to offer an understanding of the Thai economic and social background against which this PhD study was conducted.

This chapter is divided into seven main sections. The first presents an overview of the general Thai context. This is followed by a review of the country's economic situation both before and after the financial crisis. Then, a view of the social context pertaining to politics, religion, and the monarchy is provided, followed by the environmental context. The fifth section presents an outline of the establishment plan of the ASEAN Economic Community (AEC). The last two sections present a review of CSR and SER practices in Thailand and the conclusion of the chapter.

5.2 An Overview of Thailand

The Kingdom of Thailand (hereafter *referred* to as Thailand) was formerly known as Siam. The country has a long history spanning many centuries. Located in the middle of Southeast Asia, Thailand is the only country in this region that has never been colonised. Thailand's modern era began with the establishment of the new capital of Bangkok in 1782. Since then, it was an absolute monarchy until 1932, when it became a constitutional monarchy. In this new form of government, the Prime Minister serves as the head of government, while a hereditary monarch is the head of state. Despite such a remarkable political reform, Thailand still experienced political uncertainty and remained unstable over the decades leading up to the present day.

Its strategic location has benefited Thailand, enabling it to become a commercial hub with international supply chains from all over the world. In the early 1900, the Thai government focussed on developing its economic policies by dramatically switching from an agriculturally based economy to concentrate on industry and services. This made the Thai economy one of the fastest growing, with the country becoming part of the Newly Industrialised Countries (NICs) (Thanapornpun, 1993). However, after the rapid growth in industrial development, with a massive flow of both domestic and foreign direct investment (FDI), Thailand's economy was rocked by the 1997 financial crisis, which caused an economic downturn followed by a number of social and environmental issues, such as rising unemployment. Many research studies (Furman et al., 1998; Stiglitz, 1998; Liu et al., 2013) argued that the cause of the financial crisis in Asia, and in Thailand in particular, was the lack of effective government regulation and transparency in finance related information. Therefore, significant improvements in this area have been enacted by the government and regulatory bodies in terms of new regulations and guidelines. The awareness of Thai people in the business sector with regard to corporate governance, responsibility and accountability of business operations and activities has been significant developed.

Recently, in 2011, after dealing with economic crises, social conflicts and an unstable political situation for many decades, Thailand has transformed itself from a lower-middle income country into an upper-middle one, as categorised by the World Bank (World Bank, 2015). Not focussing solely on economic goals, there are also increasing concerns about sustainable development. Thailand has now started to pay attention to social and environmental responsibilities, as demonstrated by the Eleventh National Economic and Social Development Plan B.E. 2555 – 2559 (A.D. 2012 – 2016) with respect to the 2015 establishment of the ASEAN Economy Community (AEC).

5.3 The Thai Economic Context

Traditionally, the Thai economy had been predominantly agricultural. To become industrialised, Thailand had to undergo a significant shift from its agriculturally based

economy to concentrate overwhelmingly on an industrial footage largely dependent on the export sector. This transformation identifies two distinct periods in Thailand's economy—before and after the 1997 financial crisis.

5.3.1 *Before the 1997 Financial Crisis*

Due to its strategic location, rich in natural resources, Thailand had a predominantly agricultural economy. For many decades, the majority of the Thai population, and especially those who lived in rural areas, was employed in this sector. The agricultural production saw produce being destined to both domestic consumption and export purposes. Rice was the major export product, together with other agricultural and fishery products that included sugar cane, tapioca, rubber, canned tuna, and frozen shrimp. Starting in the 1940s, the economy began its transformation, as the Thai government planned to pursue industrial development. Manufactured goods such as garments, textiles, electronic appliances, and automobile parts became major export products.

The combined effect of the rapid industrial development and of a significant drop in agricultural product prices saw rural populations hitherto employed in the agricultural sector starting to migrate to the capital and other urban areas to pursue alternative occupations. With high competition in unskilled labour, rural migrants were paid less than the national minimum wage and faced long working hours (Kuasirikun and Sherer 2004). Besides poor working conditions, rural migrants also experienced poor living ones, most of them having to live in slums (Pornchokchai, 1993). During the economic development stage, social issues, especially in Bangkok's metropolitan area, were on the increase (Krongkaew, 1995; Dixon, 1999; Kuasirikun and Sherer 2004).

At the beginning of the 1980s, Japanese companies first started to relocate their manufacturing operations to Thailand due to lower cost of labour and more flexible financial regulations. Moreover, an attractive fixed exchange rate with the US dollar (approximately 25 baht per dollar) encouraged a massive inflow of capital investment into Thailand. The dramatic increase in foreign direct investment (FDI) made Thailand one of the fastest growing economies in the region, with an average gross

domestic product (GDP) yearly growth of 8-9%. During this period of economic growth, the banking sector was one of those that expanded most rapidly, with more than 50 financial institutions being established. These borrowed large amounts of money from international institutions and lent it locally at high interest rates (Laplamwanit, 1999). This large amount of foreign capital was largely invested into real estate projects, which made asset prices 'bubble' or increase multiple times over the following decades.

With the limited control and monitoring exerted by the Bank of Thailand (BOT) and ineffective government monetary policy regulations, the rapid changes in asset prices and lending practices of Thai financial institutions came to a halt and soon became an issue. In the early 1990s, foreign investment started to decline together with the value of national exports. Thus, the unbalanced accounts failed the Thai economy, which triggered the 1997 financial crisis. On July 2, 1997, having long defended the value of the Thai currency, the Bank of Thailand decided to drop the fixed exchange rate and allow the Thai baht to float and stabilise itself at its own true value. Immediately after the announcement, the Thai baht lost nearly 50% of its value against the US dollar (Graham et al., 2000; Liu et al., 2013). The overseas debt accrued to support domestic loans doubled, which led to finance institutions becoming incapable of paying back their offshore debts. As a result, 56 financial institutions failed and were forced to close, which caused large numbers of job losses across the industries. In the wake of the baht collapse, the Thai government sought the financial assistance of the International Monetary Fund (IMF) to cover its shortages of liquidity and international reserves.

Previous studies (Furman et al., 1998; Stiglitz, 1998; Laplamwanit, 1999; Liu et al., 2013) identified government deregulation and the lack of efficient monitoring by regulators such as the Bank of Thailand and the Stock Exchange of Thailand as being among the key factors that had caused the financial crisis. There was a need for significant improvements in regulation and supervision, especially in monetary policies, corporate governance and transparency of corporate disclosure.

5.3.2 *After the 1997 Financial Crisis*

After the 1997 financial crisis, the restructuring of the financial system, rules and regulations was undertaken. The Thai government and the Stock Exchange of Thailand emphasised corporate governance as a reform concept (Kanchanapoom, 2005). The National Corporate Governance Committee (NCGC) was established as a government agency tasked with promoting the implementation of corporate governance standards (Rajanakorn, 2012). At the same time, the SET introduced guideline standards to listed companies in order to improve corporate governance practices and to bolster confidence in the Thai capital market. These guidelines encouraged listed companies to disclose both financial and non-financial information—such as socially and environmentally related information—in their annual reports in order to improve transparency. On the other hand, a development of the Thai Accounting Standard (TAS) was put in place to improve the accountability and quality of accounting and reporting practices. These developments were based upon various sources—namely: International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and US Generally Accepted Accounting Principles (US GAAP). In 2000, a revised version of the TAS adapted to suit the Thai business context was issued. Ploybut (2012: p.86) suggested that these revised standards were aimed at increasing the accountability of business entities and accountants; for instance, by clearly specifying the responsibilities held by account preparers and entity managers.

During this recovery stage, the country lost the competitive advantage it had held over Bangladesh, India, Vietnam, and especially China due to its cheaper labour costs (Ploybut, 2012). The government initially changed its strategy to promote the tourism industry in order to improve and stimulate overall economic growth. The 'Amazing Thailand' campaign was launched to promote Thai tourism internationally. The beaches and islands, food, and historical and cultural sights found throughout the country became tourist attractions for people around the world. Moreover, tourism related activities such as wellness retreats, Thai traditional sports—like Thai kickboxing—and medical tourism became new trends that sharply increased during the following decade. By 2014, the tourism industry was generating an income; its contribution to the overall GDP was of THB 2.35 trillion or 19.3%.

5.4 <u>The Thai Social Context</u>

Not only had Thailand's economic context dramatically changed; the country also experienced significant changes in its social context. Over many decades and to this day, Thai society had been shaped by a long history of monarchic rule and religious belief—Buddhism in particular. These two unique characteristics exerted a strong influence on Thai culture. Moreover, the role played by politics was recognised to be an important part of the Thai social context. The detail of these social characteristics will be described in following section.

5.4.1 <u>*The Monarchy*</u>

Up to 1932, Thailand had long been ruled by an absolute monarchy; then its first legislature was established. This new form of government, whereby the Prime Minister was the head of government, while a hereditary monarch was the head of state, made Thailand into a constitutional monarchy much like the UK (Vichit-Vadakan, 1989). In a constitutional monarchy, the monarch still retains sovereign power in appointing prime ministers and giving royal assent to approve legislation. While exercising his power as head of state through the Prime Minister and the National Assembly, the monarch is also the head of the armed forces.

Although the monarchy had been changed from absolute to constitutional, the tradition of love, loyalty, and respect between the Thai monarch and the people remained unchanged. This was especially felt when the current monarch of Thailand, His Majesty King Bhumibol Adulyadej, ascended the throne in 1946, which makes him the world's longest reigning living monarch. He has committed and dedicated his life to improve the livelihood of all Thai people, regardless of religion, race, and ethnicity; in 1946, on his accession day, he had promised, "to reign with righteousness for the benefit and happiness of the Siamese people". His broad range of projects has mainly contributed to national development aimed at improving living standards and solving the issues of poverty faced by the Thai people, especially those who live in rural areas, by enabling them to become self-reliant. His development projects are

progressed in collaboration with government agencies to cover various areas, including the improvement of social welfare, the promotion of sustainable development, and the conservation of natural resources. For example, eliminating illegal crops (such as opium) by replacing them with economically viable ones (such as rice, coffee, fruit, and vegetables), providing basic infrastructure, promoting and creating supplementary jobs to generate more income for farming households. Over six decades, his development projects have successfully improved the living conditions of the Thai people across the country. His six decades of passion and dedication are recognised not only by the Thai people, but also at the international level. His Majesty has received awards by many prestigious organisations; for example, UNESCO for his devotion to the 1991 rural development and well-being project, the World Health Organisation (WHO) for his contribution to public healthcare in 1992 and 2000, the United Nations Development Program (UNDP) with the 2006 Human Development Lifetime Achievement Award, and the World Intellectual Property Organisation (WIPO) with the 2009 Global Leaders Award.

5.4.1.1 The Philosophy of the Sufficiency Economy

Initiated by His Majesty King Bhumibol Adulyadej, Sufficiency Economy is a philosophy based on the fundamental principle of Thai culture that focusses on building a strong economic foundation and self-reliance at the local community level (Chaipattana Foundation, 2013). It focusses on enabling people to help themselves and become self-reliant. Once people have become self-sufficient, they can help the society and environment around them. The Sufficiency Economy Philosophy emphasises the concept of sustainable development by focussing on long term results, rather than on short term benefits. His Majesty is concerned that any form of progress that only emphasises economic expansion might generate negative outcomes that would directly impact the development of the country. He proposed that:

> *"Economic development must be undertaken step by step. It should begin with the strengthening of our economic foundation, by ensuring that the majority of our population has enough to live on . . . Once reasonable progress has been achieved, we should then embark on the next steps, by pursuing more advanced levels of economic development."*

The Thai government adopts the Sufficiency Economy Philosophy as a guideline for its national development and strategy plan. The philosophy provides a framework for community-based development that may lead to benefitting the country as a whole. An example of this is a government initiative—One Tambon One Product (OTOP)—that is aimed at helping distribute income to village communities all over the country. The way it intends to achieve its goal is by promoting locally made products, such as food, handicrafts, household items, silverware, pottery, and clothing. The government played a supporting role in providing advice on the development of the products, in terms of packaging and design, to make them more attractive, and assisting in finding markets and distribution channels both domestically and overseas (Department of Export Promotion, 2010 now Department of International Trade Promotion).. This local entrepreneurship initiative not only helps to improve the quality and marketing of local products, but also to generate income for villages all over the country.

The potential of this philosophy is recognised not only by the public sector; the Thai business sector also follows and supports it. In recent years, it has incorporated the philosophy into its business practices, as can be seen in CSR activities. It has set up CSR activities by taking into consideration the importance of the community contexts in which it operates. To this end, it can be suggested that the Sufficiency Economy Philosophy and corporate social responsibilities (CSR) share a joint goal and have many common characteristics, such as community participation, engagement, and collaboration (Cute-ngarmpring, 2012).

5.4.2 *Politics*

Since becoming a constitutional monarchy in 1932, Thailand has experienced a high degree of political instability and frequent military coups. Until now, the Thai nation has been governed in accordance with 17 different constitutions; the current one stipulates that the legislative power is exercised through the National Assembly via the bicameral legislature of Senate and House of Representatives, while the judicial power is exercised through the Court of Justice.

Nowadays, Thailand is under military government. In fact, the country's political crisis has deepened since the coup instigated by the former Prime Minister in 2006. Although general elections were held, the political crisis persisted and became even more violent. The continuing political instability saw mass protests across the country between those in favour and those against the former Prime Minister. Thus, he instigated a new coup d'état on 22 May 2014 and has retained power to this day.

It is undeniable that political instability has had a heavy impact on the country's reputation with foreign governments, investors, and tourists alike. Over the past ten years, Thailand has been plagued by a lack of efficiency and effectiveness of government policies. Although the government has implemented a National Economic and Social Development Plan as a national guideline policy for a five year period, its enactment has often been disrupted by changes in political circumstances, which have led to postponements and inconsistencies in the implementation process.

5.4.3 *Religion*

Religious beliefs are another strong influence on Thai society and culture. In Thailand, Buddhism, Christianity, Islam, and Hinduism are all represented. Although the Thai people enjoy absolute freedom of religion, the majority (approximately 90%) are Buddhist. According to the constitution, the King acts in support of all religions, but is required by law to be Buddhist.

For the past seven decades, Buddhism has flourished and had become ever more deeply rooted in Thai social and cultural practices. Important life events such as birthdays, weddings, funerals, moving into a new house, and inaugurating a new office, are always accompanied by religious ceremonies. The respect and faith of the Thai people is directed not only to the practice of Buddhism but also to temples, statues of the Buddha, and monks. In addition, respectfulness and kindness are extended to the elderly. Traditionally, Buddhism involves the practice of giving as a moral obligation aimed at acquiring good merit. Such giving can involve not only material gifts, as in the donation of food or tangible assets, but also non-material ones, such as one's time. It can be seen that these fundamental giving practices are deeply

rooted both in the individual and in the corporate spheres. Donation activities, such as giving money to charitable organisations or building public roads and utilities, have been undertaken as traditional corporate practices for many decades.

5.5 The Thai Environmental Context

As has been seen over the past decade, Thailand and its neighbour countries, having lesser ability and capacity to cope with its effects, compared to other regions, are at risk from the impact of climate change. A number of natural disasters have been triggered by global warming and climate change and have been largely reported by both the local and global media. For example, in 2004, a devastating earthquake and tsunami hit Indonesia, Thailand, Malaysia, and Myanmar; typhoons Xangsane and Ketsana struck Vietnam in 2006 and 2009; and Myanmar was battered by Cyclone Nargis in 2008. Although some countries in the region have raised their awareness and have started to protect the environment, they still continue to face difficulties, such as technological limitations. Unfortunately, some countries, including Thailand, experience an unstable economic and political situation; the governmental authorities have a limited capacity to support the private sector both technologically and infrastructurally.

Recently, in 2011, 65 of Thailand's 77 provinces, including the capital city, Bangkok—the metropolitan area and the Don Muang Airport—were largely impacted in the wake of terrible flooding. More than 10 industrial and manufacturing estate parks in the Ayutthaya, Pathum Thani, Chachoengsao, and Rayong provinces were declared flood disaster zones. The hardest-hit industry sectors were those of electrical components and automobile parts manufacturers. The many factory closures led to disruption that largely affected major global corporations and the electronics and car production supply chain. Many car and computer manufacturing companies were forced to suspend production because of the disruption to local supply chains as well as to the damage to their own facilities and manufacturing plants. The World Bank reported that, as of December 1, 2011, the estimated total economic damages and losses caused by the floods stood at 1,425 billion baht (approx. US$45.7 billion) (World Bank, 2011). To provide flood relief, an improvement and recovery plan was

established by the Thai government and private sector in order to enable businesses to resume operations as soon as possible. This included the construction of more weather-resilient roads and the improvement of the drainage capacity of the infrastructure and of the pumping stations. As a long-term strategy, the Thai government established an improved data and information management system to enhance the flood forecasting and early warning systems.

However, in order to properly position itself as the regional hub, besides dealing with the impact of climate change and natural disasters, Thailand needs to address critical issues regarding its economic difficulties and political instability.

5.6 The Establishment of the ASEAN Community Economic (AEC)

The Association of Southeast Asian Nations (ASEAN) was established on 8 August 1967 in Bangkok, Thailand. The ASEAN or Bangkok Declaration was signed by five founder members—namely: Indonesia, Malaysia, the Philippines, Singapore, and Thailand. These were followed by Brunei Darussalam in 1984, Vietnam in 1995, Lao PDR and Myanmar in 1997, and Cambodia in 1999, making up the ten ASEAN members states of today. At the 9th ASEAN Summit, in 2003, the ASEAN leaders first declared that an ASEAN Community was to be established. During the 12th ASEAN Summit, in January 2007, ASEAN leaders agreed to accelerate the establishment of the ASEAN Community, to be completed by the end of 2015.

The ASEAN Community aims at creating "a stable, prosperous and highly competitive ASEAN economic region in which there is a free flow of goods, services, investment and a freer flow of capital, equitable economic development and reduced poverty and socio-economic disparities" (ASEAN Blueprint, 2008). It is comprised of three pillars:

1. The ASEAN Political-Security Community (APSC), which aims at ensuring that member countries in the region live in peace and stability, sharing responsibility for comprehensive security both within the region and across the world.

2. The ASEAN Socio-Cultural Community (ASCC), which is focussed on nurturing human, cultural and natural resources for sustained development in a harmonious and people-oriented ASEAN.

3. The ASEAN Economic Community (AEC), which aims at transforming ASEAN into a single market and production base with the free flow of goods, services, investment, skilled labour, and capital.

Under the integration plan, the ASEAN community would become the seventh largest economy in the world, behind the USA, China, Japan, Germany, France, and the United Kingdom, with a combined GDP of US$2.6 trillion (in 2014) and over 622 million people. Currently, the establishment of the ASEAN Economic Community (AEC) seems to be the main focus of the regional integration plan as perceived by both domestic and international governments. However, to ensure that economic integration is properly implemented, a clear strategy in terms of the social and environmental development agenda is deemed critical in deepening regional integration. At this early stage, the establishment goal is believed not to be just a timeline but an ongoing process as well as a challenge that requires continuous cooperation among the member countries.

It can be predicted that the integration of the ASEAN Economic Community (AEC) will create greater trade and investment opportunities and is expected to bring numerous benefits, such as the free movement of goods, capital and labour within the region. The positive fallout of the single market will, at the same time, have the effect of remedying various social ills, such as the widening income gap, poverty, widespread corruption and security risks, and growing ethnic and religious conflicts. It is therefore important to implement social responsibility aspects into the integration plan in order to achieve a sustainable economic growth within the region. In this regard, the ASEAN Secretary-General, Le Luong Minh, declared that:

> "*Our integration would be incomplete without the good work done and to be done in the social and cultural organisations . . . There is room to improve policy implementation in the political-security, economic and socio-cultural institutions . . . to improve national and regional coordination*". (ASEAN, 2013)

Regarding the above quote, it can be implied that, among the three pillars mentioned above, which have merged into the ASEAN Community in 2015, the socio-cultural aspects are of equal importance as the political and economic ones. Within the ASEAN's Socio-Cultural Community Blueprint, corporate social responsibility (CSR) has been highlighted to "ensure that CSR is incorporated in the corporate agenda and to contribute towards sustainable socio-economic development in ASEAN Member States" (ASCC, 2012).

Originally, the conceptualisation of CSR in each member nation differed depending on historical factors, traditional beliefs, cultural contexts, and religious practices, such as Buddhism and Islam. The ASEAN blueprint provides CSR frameworks aimed at promoting and paving the way for the introduction of a strategic CSR structure within the region and to ensure that its resulting implementation is coherent and coordinated. This will help to gradually move CSR from its historical focus on business philanthropy to a broader set of activities that integrate its practice into the core strategy of the organisation. At the same time, this can be achieved through an increase in CSR awareness within the corporate activities and the communities in which they take place, in particular, supporting community-based development (ASCC, 2012).

5.7 The review of corporate social responsibility (CSR) practices in Thailand

In Thailand, the concept of CSR has deep roots in the practice of giving, which is strongly related to Buddhist religious beliefs. Some practices, such as charitable donations, volunteer work, and philanthropy have been prevalent in Thai society for many decades, although they were not then called CSR (Prayukvong and Olsen, 2009; Thai CSR, 2010; Rajanakorn, 2012). Thus, it can be recognised that Buddhist beliefs are a key driver of CSR practices in the Thai context. Another Thai value that appears to influence CSR practices is His Majesty King Bhumibol's philosophy of Sufficiency Economy. In recent years, traditional CSR practices have moved to the next level. The adoption of the Sufficiency Economy guidance tends to integrate social and environmental aspects into core business operations, emphasising not just profitability

but also sustainable growth and encouraging businesses to not only donate money but to engage more with local communities in order to improve and help them to become self-sufficient—for example, by providing career training. As a result, the concept of CSR in the Thai context has been expanded beyond the existing philanthropic activities.

On the other hand, CSR in Thailand can be perceived through the practices of multinational companies (MNCs). The CSR agenda deriving from MNCs has expanded beyond philanthropy and community development into employee concerns, such as benefit packages, education and training, and product innovation, such as in environmental friendly or green products. Although there has been a development in the approach to CSR practices deriving from MNCs, concerns on how well MNCs' standard CSR practices are suited to the Thai context still remain. Thus, relatively different perspectives regarding CSR policies have been developed by domestic and multinational companies in the Thai context. In the past few decades, multinational companies from developed countries have disclosed their CSR policies and activities; conversely, domestic Thai companies have not. Only during the last decade an increasing number of local organisations have started taking an active role in regard to social and environmental responsibilities and disclosing their CSR activities in their annual or standalone reports.

Within the Thai context, the ongoing status of CSR activities and SER development can be seen in the light of the introduction of domestic and international guidance; for example, the government initiative, the related environmental laws, the SET guidance, and the Global Reporting Initiative (GRI). This will be expanded upon further below.

5.7.1 *Government*

In Thailand, awareness of social responsibility is not limited to the corporate sector, but can also be found in the public one. The government has established a number of agencies to supervise, promote, and monitor these concerns. First, the Corporate Social Responsibility Promotion Centre, which was established under the responsibility of the Ministry of Social Development and Human Security (MSDHS),

functions as the governmental centre for the promotion and coordination of CSR activities in Thailand as well as for networking (OECD, 2007). The Centre has implemented projects to promote an accurate understanding of CSR, raise public awareness and develop accessible channels for CSR information (MSDHS, 2013).

Within a similar context, the CSR-DIW Network is an initiative of the Department of Industrial Works (DIW) of the Ministry of Industry that encourages companies to adopt the ISO 26000 standard and, more generally, CSR and sustainable development policies in their social responsibility practices. The CSR-DIW Network proposes yearly projects that aim at guiding and upgrading company CSR standards. Additionally, the DIW collaborates with the Management System Certification Institute to award CSR-DIW Certificates to Thailand-based companies (OECD, 2007). The CSR-DIW assessment process covers the following topics: corporate supervision, human rights, treatment of labour, surroundings, fair business conduct, consumer issues, and social development (DIW, 2013). Similarly, these agencies oversee procedures through measures and standards it has set up to ensure that those operations are of high quality and feature standards at the international level. These government agencies are setting up systems that enable the regular monitoring and assessment of company performance.

5.7.2 *Laws and regulations*

5.7.2.1 Environmental Laws

Over the past decades, the Thai government did not strongly appear to show and address social and environmental awareness through governmental actions and policies. This reflects a lack of concern towards social and environmental issues, especially compared to developed countries such as Germany, the UK, and the Scandinavian nations. This lack of concern could be assumed to be due to the coordination difficulties that exist among related governmental agencies, to budgetary constraints, and to the shortage of knowledgeable and educated staff. Until 1992, the governments of the day had shown a keen interest in environmental issues, making it a very significant period for the current evolution of Thai environmental laws. The

government had addressed environmental issues with its policies by enacting the Enhancement and Conservation of National Environmental Quality Act, A.D. 1992 Amendments 2012. Under the provisions of this new act, the government authorities that oversaw and managed environmental matters in Thailand underwent major structural reforms. The Office for Environmental Policy and Planning (OEPP) was established under the renamed Ministry of Science, Technology and the Environment (MOSTE). It can be seen that, as a result, their functions were carried out in a much more efficient manner relevant to the current circumstances; for example; establishing a strict enforcement of environmental laws.

According to the 2007 constitution, Environmental Impact Assessment (EIA) Laws are regulatory tools used to assess the environmental impacts of projects, in both the government and private sectors, that generally involve large scale economic development and the creation of financial benefits and employment. Section 67 of the 2007 constitution stated that:

> *"Any project or activity which may seriously affect the quality of the environment, natural resources and biological diversity shall not be permitted, unless its impacts on the quality of the environment and on health of the people in the communities have been studied and evaluated and consultation with the public and interested parties have been organised, and opinions of an independent organisation, consisting of representatives from private environmental and health organisations and from higher education institutions providing studies in the field of environment, natural resources or health, have been obtained prior to the operation of such project or activity"* (The Constitution of Thailand, 2007 (B.E. 2550) section 67 clause 2).

Under regulatory requirements, a relevant study report must be prepared and submitted to the Office of Natural Resources and Environmental Policy and Planning (ONEP) of the Ministry of Natural Resources and Environment (MNRE). However, the details may vary depending on the type, location, and size of the projects. In general, the report must provide an analysis of the information pertaining to any environmental impact, either negative or positive, expected to be had by the development projects on the surrounding communities. It largely covers a broad range of topics, including the short- and long-term impacts upon natural resources—such as

plants and animals, and the soil, water, and air—and the local communities' living standards—such as health and employment.

In practice, although EIA reporting is mandatory for certain development projects or activities, it does not generally apply to day-to-day business activities or normal operations. However, it plays as an essential supporting role in encouraging companies to start reporting not only the economic aspects but also the potentially related social and environmental ones linked to their business operation. It has raised awareness about companies having to make social and environmental considerations whenever and wherever they operate.

5.7.2.2 Labour Laws

In Thailand, the Labour Protection Laws were established as a legislative framework to govern the relations among workers, employers, and the government. They were set up to address all labour related matters, such as recruitment processes and policies, the minimum wage, and employee benefits—including working hours, social benefits, and healthcare. These laws and regulations were set up to ensure that manufacturing operations would be of high quality and feature international level standards. Systems were also set up to enable the regular monitoring and assessment of companies' performances. With regard to the literature review of chapter two, the concerns highlighted for this region focussed heavily on 'sweatshop' issues (Islam and Deegan, 2008). Therefore, the Labour Protection laws put in place are aimed at correcting and preventing these circumstances. For example, employers are not allowed to employ children under 15 years of age, and must abstain from assigning employees under the age of 18 to hazardous jobs, such as those involving severe weather conditions, dangerous levels of sound and lighting, and hazardous chemicals. With regard to gender, employers are required to treat their male and female employees equally, except where a job's nature or conditions do not allow it, such as in mining or underground construction work, or the manufacturing of explosive or inflammable materials and devices. Furthermore, in those instances in which the work to be performed is of the same nature, quality, and quantity, the basic pay and other benefits are to be unrelated to the employee's gender (Labour Protection Act, 2008).

In recent years, the Ministry of Labour issued a minimum daily wage policy to increase the income of workers, effective from January 1, 2013. Thailand's employers faced an increased minimum wage of 300 Thai baht per day (about £5-6). The National Economic and Social Development Board estimates that the new policy raised Thailand's average wage by 20-22%, and possibly up to 60-70% in some rural provinces (NESDB, 2014). This policy initiative has had a direct impact upon the Thai labour market. Being a labour intensive industry, requiring a large work force, manufacturing experienced the highest direct impact of the policy. From the government's perspective, the increased worker income was aimed at improving the standards of living by avoiding the much dreaded income trap with the provision of more equal employment opportunities. This was also intended to encourage professional competitiveness among Thai workers to develop their professional skills in preparation for the opening of the ASEAN Economic Community (AEC) in 2015.

Besides increasing the minimum daily wage, the Ministry of Labour also plays an important role in labour protection, including occupational safety, health, and environment issues. It has functions and responsibilities in the enactment, enforcement and administration of legal provisions, and in the promotion of labour safety, health, and welfare. The Occupational Safety, Health and Environment Act stipulates and enforces the carrying out of monitoring and inspection activities to ensure compliance with its requirements. The Act specifies that employers are required to conduct hazard assessments and study the possible impacts of working conditions on employees. This study must be reported back for the government to check and verify on an annual time basis. These improvements in working conditions have been largely promoted to ensure health and safety in the workplace in accordance with international standards.

5.7.3 *The Stock Exchange of Thailand*

To ensure that companies correctly deal with corporate governance, in 2002, the Stock Exchange of Thailand issued its Principles of Good Corporate Governance and

then amended them especially for listed companies in 2006. A new revised version was published in 2012 to accommodate recent developments aimed at further ensuring sound corporate governance practices in the country and to bring it into line with ASEAN standards. This was done to enable Thai listed companies to further advance their corporate practices towards international levels. The principles provide recommendations for best practice means to enable companies to implement corporate practices in the area of 1) The rights of shareholders; 2) The equitable treatment of shareholders; 3) The role of stakeholders; 4) Disclosure and transparency; and 5) The responsibilities of the Board (SET, 2012).

In parallel, the Stock Exchange of Thailand (SET) established a Corporate Social Responsibility Institute (CSRI) in 2007 to encourage businesses to become more involved with CSR practices and move from a philanthropic and charitable CSR approach toward a sustainability development one. To become educated on CSR practices, the CSRI distributed publications and developed events on various themes of CSR topics, such as employee benefits, stakeholder engagement and the value supply chain. Guidance documents were set up to promote responsible business behaviours among Thailand's listed companies and other interested organisations. Moreover, it offers free workshops and training activities to educate listed companies on corporate governance, corporate responsibility, and the development of sustainability.

In relation to CSR and SER, the CSRI has released the "Guidelines for sustainability reporting" on 1 June 2012, which can be divided into two parts. First, they provide guidance on sustainability reporting, including a Thai translation of the Global Reporting Initiative's G3.1 Guidelines. The second part provides guidance on how companies can start to implement social responsibility programmes. Such guidance is largely based on the ISO 26000 social responsibility standard and also draws on material produced by the United Nations Global Compact (SET, 2012). These guidelines were recognised to be the first official ones to significantly impact social and environmental reporting practices in Thailand. Although compliance with these guidelines is on a voluntary basis, they highlight the importance of SER to listed companies. This driving force can be seen as the key to ensure market transparency and integrity and, at the same time, to help investors get accurate, adequate, and

sufficient information to evaluate a company in terms of investment decision-making. These SEC requirements also address the essential aspect of corporate accountability and responsibility to not just shareholders but also to stakeholders, including consumers, creditors, employees, and the government. After the guideline was introduced, the listed companies responded by beginning or increasing the disclosure of their non-financial information, including social and environmental related data, within their annual or stand-alone reports. This guideline is perceived to be a big push toward the development of SER in Thailand.

5.7.4   *Supranational Bodies*

In the absence of specific SER standards and regulations in the Thai context, the value of being included in sustainability indices, such as the Dow Jones Sustainability Indices (DJSI), or a trusted international standard, such as the Global Reporting Initiative (GRI), was emphasised in helping create creditability and being recognised in the international market. In Thailand, however, SER is still effected on a voluntary basis. The adoption of international standards is still limited to large companies that have sufficient funding and human resources.

5.7.4.1 The Global Reporting Initiative (GRI)

GRI is a well-known international reporting standard which aims at helping reporting organisations to generate systematic, accurate, and relevant information. The reported companies revealed that they made reasoned considerations based upon the GRI guidelines to decide which relevant topics should be included in their SERs to reflect their organisational operations. They also suggested that the GRI guidelines helped them in the process of deciding which relevant issues should be considered legitimate to be disclosed within their sustainability reporting. By adopting the GRI guidelines, the reported companies felt that they were able to better manage their CSR information and communication both internally and with their stakeholders. It can be implied that it is deemed that organisations commenced sustainability reporting in response to their stakeholders' interests. This also demonstrates that the reported

companies have a strong commitment and every intention of meeting stakeholder expectations.

Over the last decade, Thai companies can be seen as having become increasingly aware of the strategic importance and usefulness of adopting sustainability reporting. The GRI's (2015) database showed a dramatic increase in sustainability reporting numbers, which went from two reports in 2008 to 32 in 2014. However, in the Thai context, reporting is still made on a voluntary basis and is devoid of time sensitivity. Reporting organisations are only found among those that have adequate capital and human resources. This signals that the reporting development and progress are still in their infancy; sustainability is being integrated into company strategy gradually, rather than being the subject of urgent initiatives.

5.7.4.2 The Dow Jones Sustainability Indices (DJSI)

The Dow Jones Sustainability Indices (DJSI) list companies based upon their global sustainability. To be listed on the Indices, companies have to be assessed based upon their long-term economic, social and environmental performance. Such assessment is based both on general information and on industry-specific criteria, including financial materials, corporate governance, risk and crisis management, supply chain management, social and environmental policies and reporting, labour practices and human rights, occupational health and safety, and stakeholder engagement (DJSI, 2015). In order to be included in the Indices, the selected companies are monitored throughout the year and are required to demonstrate that their collective performance is maintained and consistent with sustainable investment standards and practices.

Participation in the DJSI benchmarking was crucially essential especially the companies operate in sensitive environmental industries that are always viewed by society as being harmful. Being recognised by the DJSI showed that their practices and activities were perceived to be understandable, appropriate, and desirable within society. The value of DJSI acceptation also enhanced their future business expansion capabilities, which is considered to be a favourable factor, as the reported companies continually expand their investment both domestically and internationally. They

believed that this would demonstrate their commitment and contributions to the successful operation of their business in tune with a sustainable development approach. Such achievements signify that their companies have business visions that embed social and environmental sustainability within their operations.

5.8 The development of social and environmental reporting (SER) in Thailand

Social and environmental reporting (SER) in Thailand is still in its infancy; in effect, CSR practices have become the context within which SER practices are being developed. In the Thai context, CSR activities, such as making financial donations or sponsoring events, can be viewed by organisations from a traditional perspective. They are simply viewed as a form of philanthropic activity that benefits a company by making it easy to recognise and giving it positive exposure in their communities. It can be witnessed that the content of the report basically covers topics pertaining to CSR activities of the reporting organisation. Publishing CSR activities is an easy way to help promote a company, including the establishment of a positive image and reputation with its stakeholders. In this regards, engaging in and disclosing CSR can been seen as a public relation tool used by organisation to increase and draw the attention given to it by the public.

Not until the 21st Century had an increasing number of organisations started taking an active role regarding their social and environmental responsibilities. This may have been triggered by the introduction of domestic and international guidance as mentioned in the previous section. Disclosing social and environmental related information is now perceived as a good business practice to demonstrate corporate responsibility. At the same time, it is also used to maintain public corporate image and reputation. Thus, the disclosure of social and environmental information covers not only CSR related activities but has also been expanded to a wide range of topics including company vision, the CEO's message, management structure, products and services, employee health and safety, and environmental compliance. This includes providing substantial responses by disclosing any procedures enacted in regard to social and environmental responsibilities, even when operating in very sensitive industry sectors with high environmental impacts.

However, social and environmental reporting is still a relatively new practice, especially for local companies. Moreover, SER is still effected on a voluntary basis. Regular reporting is only limited to large companies, mostly those listed in the SET50, the Stock Exchange of Thailand's primary index of the top 50 listed companies. Therefore, what motivated this research study was the need to understand the reasons behind the initiation of SER practices, focussing exclusively on local Thai listed companies.

5.9 <u>Summary</u>

This chapter has outlined the economic and social context of Thailand, which is the setting for this PhD research study. Moreover, it has offered an overview of current CSR and SER practices in order to provide background knowledge information. Based on such information, it can be perceived that SER practices in Thailand are still in their early stages. Moreover, the existing empirical research focussing on the Thai context is also limited to the practices of multinational companies. Therefore, the motivation to carry out this research study is to very much empirically focus on local Thai listed companies within the two specific industry sectors of energy and manufacturing. The next chapter presents this study's empirical findings.

Chapter Six: Empirical Insights

6.1 <u>Introduction</u>

This chapter presents the empirical findings of this PhD study, which emerged from both the pilot and the main study. The analysis in this chapter discusses the motivations that underpin SER practices in Thai listed companies. It focusses on the energy and manufacturing sectors in order to achieve the research aim to discover why local Thai organisations chose to initiate social and environmental reporting. To achieve the research aim, the three research objectives, outlined in Chapter Two, are highlighted:

- To investigate Thai companies' attitudes towards SER practices.

- To understand the reasons behind Thai companies initiating SER practices.

- To provide an insight into how the influence of external and internal factors has an impact on the undertaking of SER practices in the Thai context.

The chapter is organised in three parts. First, an overview of stakeholder analysis developed from the interview responses. Second, the detailed analysis considers how the organisational participants from two different industry sectors engage in SER with different approaches, based upon different stakeholder groups. With regard to the degree of stakeholder attributes of Power, Legitimacy and Urgency, the discussion addresses their influence on the undertaking of SER. Thus, the empirical analysis is divided into two main directions: the influence of those stakeholders that have similar attributes between the energy and manufacturing sectors, and that of those stakeholders that have different ones. The final section presents the conclusion of the analysis.

6.2 <u>An overview of stakeholder analysis</u>

In an attempt to explain the motivations behind Thai organisations' choice to initiate social and environmental reporting, the analysis focusses on two different types of Thai listed companies: energy and manufacturing. The analysis is based upon the theory of stakeholder identification and salience, in accordance with Mitchell et al.

(1997). Reference to stakeholder attributes in terms of power, legitimacy and urgency is used as an evaluation tool to help understand the degree of attention that managers give to those stakeholder concerns that have an impact on a corporation's decision to undertake SER practices.

According to the theoretical framework, power exists in those instances in which some social actors can get others to do something that they would not have otherwise done (Mitchell et al., 1997). Based upon this definition, it can be suggested that powerful stakeholders can influence a company's decision making process and operations. Such use of power plays the role of an important explanatory tool in identifying not only who these particular stakeholders are, but how their influence impacts the undertaking of SER practices in the Thai context. On the other hand, the definition of legitimacy is based upon Suchman (1995: p.574), who defined it as "the generalised perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs and definitions". Traditionally, the concept of 'legitimacy' was mainly based on economic performance (Patten, 1991; O'Donovan, 2002). It could be implied that, as long as a corporation continues to make profits for its shareholders, it will continue to be considered legitimate. From another point of view, it could be claimed that, as long as a corporation is compliant with the existing laws in relation to its operations, then it is acting in a legitimate manner. To date, according to the social contract and legitimacy concept, corporations are required to operate in a manner that is consistent with a society's expectation by not only maximising shareholder value, but also taking responsibility with regard to their stakeholders. Companies are expected by society to be more stakeholder-accountable and socially and environmentally responsible. Lastly, the theoretical framework proposes the stakeholder attribute of urgency to consider the degree of attention that managers have toward their stakeholder groups in terms of time sensitivity and criticality.

The empirical data shows that many stakeholder groups—both internal and external—were mentioned as being motivational factors for the adoption of SER practices. As shown in Table 6.1, stakeholder groups range from government bodies, regulators, lenders, shareholders, religion, the King, local communities, the ASEAN Economic Community, NGOs, and so on. By focussing on the energy and manufacturing sectors,

the empirical analysis aims at understanding the role played by the power, legitimacy and urgency of various stakeholders in motivating SER by distinguishing, comparing, and contrasting the influence both of those that are expected to have similar levels of these attributes and of those that are expected to have different ones between the two sectors. The results illustrate how each individual stakeholder group presents varying degrees of requirements and interesting issues depending on the nature of their business operations and of the social contract in which it operates.

The insights provided by stakeholder identification and salience theory were used to help structure this stakeholder analysis. As was discussed in the theoretical framework chapter, Mitchell et al. (1997: p.878) proposed that "stakeholder salience will be high where all three of stakeholder attributes-power, legitimacy and urgency are perceived by manager to be present". The level of salience determines the degree of priority allocated by managers to competing stakeholder claims (p.854). Accordingly, the empirical data appear to show that the attention given by managers to a stakeholder is a direct function of the latter's salience. Additionally, stakeholder dynamics mean that both their salience and the levels of their attributes can vary depending on considerations of issues and time; thus requiring different degrees and types of attention based upon their attributed characteristics of power, legitimacy, and urgency. In this PhD study, therefore, the degree of influence wielded by stakeholders possessing varying levels ('high', 'medium', or 'low') of power, legitimacy, and urgency is evaluated (as shown on table 6.1). This helps in explaining why the sample organisations will pay attention to the views, needs, and expectations of different stakeholders. Managers perceive the claims of stakeholders with 'high' levels of attributes as requiring their immediate attention, as they can directly affect and strongly influence their companies. The claims of stakeholders with 'medium' levels of attributes are perceived as being of moderate relevance; managers are aware of stakeholder expectations but allow a short delay in their responses. Claims made by stakeholders with 'low' levels of attributes are perceived by managers as having little need to be responded to. The detailed insights will be discussed in the following section.

Table 6.1: An overview of stakeholder analysis

Stakeholder	Manufacturing			Energy		
	Power	**Legitimacy**	**Urgency**	**Power**	**Legitimacy**	**Urgency**
Governmental Laws and Regulations	Very High	Very High	Very High	Very High	Very High	Very High
Lenders	High	High	High	High	High	High
The Stock Exchange of Thailand (SET)	High	High	High	High	High	High
The CEO or Management	High /Medium	Medium	Medium /Low	High /Medium	Medium	Medium /Low
Shareholders	Medium /Low	Medium	Low	Medium	High/ Medium	Low
His Majesty the King	High /Medium	Medium	Low	Medium	High /Medium	Low
Buddhist beliefs	Medium /Low	Medium	Low	Low	High /Medium	Low
Media	High /Medium	High	High	High	High	High
Regulatory Authorities	n/a	n/a	n/a	High	High	High
Local communities	n/a	Low	n/a	Low	Medium	Low
Business Customers	High /Medium	Medium	Medium	n/a	Low	n/a
Parent Companies	Medium	Medium	Medium /Low	n/a	n/a	n/a
The ASEAN Economic Community	Low	Medium	Medium	n/a	n/a	n/a
Employees	n/a	Low	n/a	n/a	n/a	n/a
Non-government Organisations	n/a	n/a	n/a	n/a	Low	n/a

6.3 <u>**Stakeholders that have a major influence on both industry sectors**</u>

This section presents the stakeholders that have a major influence on the undertaking of SER as perceived by the organisational participants from both the energy and manufacturing sectors; the influence of each stakeholder on each industry sector varies based upon its attributes of power, legitimacy and urgency. This will be discussed below:

6.3.1   Governmental laws and regulations

The government is regarded as a key stakeholder that may take legal action—including imprisonment, fines, and operation closures—to control organisational operations. From table 6.1, government bodies have the highest salience in all the three attributes of power, legitimacy, and urgency compared to other stakeholder groups. However, when the issue of the pressures emanating from government bodies was brought up, it provoked a slightly wary response from the organisational participants of both the two industry sectors.

6.3.1.1 Power

The energy sector

Although all interviewees indicated that they had to fulfil their obligations with regard to laws and regulations, such concern was more strongly expressed by particular sample companies; especially those involved in activities of an environmentally sensitive nature. Within this study, the companies operating in the energy industry provide a useful example of an environmentally sensitive industry. The sample companies from the energy industry deal with oil and gas, and electric power. Therefore, the more environmentally sensitive a company's industry sector, the greater the public attention it receives. It can be seen that affiliation to a specific industry sector can be considered to potentially affect the degree of social and environmental concern. Companies in the energy industry, which has a higher environmental impact, are found to be more sensitive to environmental concerns than

others. Likewise, within the energy industry, larger companies with higher public visibility are more likely to be aware and responsive than smaller, less visible ones. During the interview, participants employed in this sector provided similar responses; for example:

> *"It is an undeniable truth that our business operation is part of an energy industry that has many well-known negative environmental impacts. Therefore, we must comply with laws and regulations ... I believe that companies, who is in the energy industry like us, must work within the legal framework and collaborate with the government sector to resolve any environmental problems to keep the environmental effect at a minimum level."* (Organisation D03)

> *"It is our duty to fulfil the laws and regulatory. I mean a company has to meet at least all the required law and regulations standards…Fails to comply with them related to the social and environment may directly impact our business operation and so on."* (Organisation H01)

The above discussion indicates that the pressure exerted by government bodies through the imposition of specific laws and regulations influences business activities and the decision-making process. However, there are still cases in which companies fail to comply with environmental law and regulations.

The nature of energy sector operations sees this industry usually involved in transforming natural resources into primary products. Therefore, there is a high risk that company activities may result in directly damaging the natural environment and becoming hazardous to public health. These effects can also persist in the ecological food chain for many years and have widespread and long-lasting health impacts. An example is provided by the case of the contamination of the water resources caused by industrial waste near Thailand's Eastern Seaboard. This had widespread effects on the day to day lives of the people in the local communities. Due to excessive levels of lead, they were unable to use water for either consumption or agricultural purposes. It also created serious health issues linked to the high lead levels accumulated in their bodies. During the data collection process, the interviewees from the energy sector also frequently mentioned the Enhancement and Conservation of Environmental Quality Act, which is aimed at promoting the preservation of natural resources and the protection of the environment. In particular, the focus was largely placed upon the

Environmental Impact Assessment laws. These had been the basis of recent court decisions halting large projects in several areas across the country due to their impact on the quality of the environment and on the health of local communities. In September 2009, a Central Administrative Court injunction suspended *65 of the 76 industrial projects* at the Map Ta Phut industrial estate, in Rayong province, for failing to comply with Section 67 of the 2007 constitution (see section 5.7.2.1). The legal frameworks developed for environmental protection require any project that may have a severe impact on the environment and on people's lives to complete an environmental and health impact assessment prior to beginning construction. In this regard, it can be recognised that the government has 'coercive power' to enforce and monitor the capacities of or threaten punishment to those who do operate according to the rule of law. Two of the organisational participants gave examples concerning this point. One, from Organisation G, recalled an example of company projects that were among those suspended.

> *"According to the news, our projects at the industrial estate were ordered by the Supreme Administrative Court to halt activities for failing to comply with Section 67 of the 2007 constitution that requires public hearings and health and environmental assessments… At this point, we have gathered information that can prove these projects have already complied with the law".* (Organisation F04)

The other organisational participant recalled an oil spill accident. The empirical data obtained from a sample company show that a mandatory clean up activity was imposed by the local government in the case of a pipeline leakage oil spill incident that had affected the shoreline. The sample company was obliged to restore the areas affected by the oil spill and implement a recovery process for the affected areas both on and offshore. Additionally, it had to pay a fine to compensate and support the affected populations.

> *"In order to provide healing and help for those affected, we and the relevant authorities established a Complaint Centre and set a team responsible for considering applications and approving aid coordination for the victims. We began operations to provide aid and cover medical expenses for both directly and indirectly affected victims, requiring a total expenditure of lots of million Baht… In next year, even after the emergency period had ended, we continued its focus on planning and supporting the long-term rehabilitation of the area,*

especially sustainable development in the affected areas".
(Organisation B02)

In terms of reporting, the obligation to disclose environmental and social information related to the law was recognised by the sample companies. These laws pertained to Water, Air and Noise Pollution, Waste and Hazardous substances. More importantly, this took place just after the Court had ordered 65 mega projects to be suspended due to non-compliance with the Environmental Impact Assessment laws. Accordingly, their social and environmental, or sustainability reports provided the information needed to evaluate both the direct and indirect environmental impacts on natural resources and the environment of the companies' new projects, including newly merged and acquired ones. This was also extended to include information related to environmental protection policies such as water retreatment programmes, and waste management, recycling, and reusing policies.

The manufacturing sector

During the interview, a number of the interviewed participants from the manufacturing sector emphasised that compliance with legal obligations is their minimum responsibility. Reference was made to the Labour Protection Act, which defines the rights and duties of both employers and employees to ensure that both parties are treated fairly. It empowers the government authorities to rule over labour issues and conflicts for the maximum benefit of both employers and employees (Labour Protection Act, 2008). Most manufacturing companies expressed their particular concerns regarding the recent minimum daily wage increase policy of 2013, which strongly impacted their business operations. The organisational participant from organisation H admitted that, due to the significant increase in labour costs, her company had to largely focus on its economic survival, therefore leaving its standalone sustainability report in its infancy. She mentioned that the government's policy had raised concerns over the adoption of CSR activities and their development process in terms of SER practices.

> *"At the very minimum, we fulfil all the required legal and regulatory standards. Unfortunately, this (minimum daily wage) policy has directly*

affected our business operation ... Engaging with social and environmental activities, including reporting, does have a cost that requires us to make an additional effort, including capital and human resources… Therefore, we still disclose our social and environmental related information within our annual report; our initial plan to start a standalone sustainability report has had to be postponed to a later date." (Organisation A06)

On the other hand, an interviewee from an electronic manufacturing company stated that her company went beyond legal responsibility and towards social responsibility. Her company did not consider the increase in daily wages resulting from the government's policy to be an obstacle or a challenging issue. A participant from Organisation I pointed out:

"I would certainly feel that every organisation has an obligation to its employees. At the very least, it may be a mandatory obligation imposed by the government. Besides any mandatory obligations, I also believe that a company should undertake a voluntary obligation to look after its employees not only by paying a good wage but also by including other benefits, such as training and development programmes. These activities, therefore, need to be publicised to show that we have corporate responsibility." (Organisation I04)

The interviewee further explained that his company had already been paying appropriate and attractive wage rates to its employees before the government had imposed its policy. In term of SER, not only had employee related information been publicised in relation to the specific requirements laid out by laws and regulations, but also to show that the company behaved responsibly and recognised its employees' value. At the same time, it can be suggested that efforts at disclosing and reporting will enhance the accountability of the reporting organisation.

In addition, all interviewees from both industry sectors argued that they needed to comply with the laws in order to secure the support of governmental bodies in terms of maintaining their licenses to continue with their business operation. These include annual permits to operate, permissions to continue their business operations, to tender for government contracts and to gain access to industry-specific restricted natural resources. This appears to reflect that government bodies possess a certain degree of control over the sample organisations. The sample companies are therefore seen to be

particularly subject to pressure from the government because they are directly monitored by it. The response from the sample company interviewee also illustrates its concern regarding its licenses to operate, which enable its ability to keep a project going. The empirical insights illustrate the concerns faced by the sample organisations regarding the governmental licenses that enable them to obtain benefits, which can be considered as a form of utilitarian power.

6.3.1.2 Legitimacy

The sample companies from both different sectors both recognised government bodies as primary stakeholders. They accepted the need to maintain the relationship with the government bodies, including the need to keep them informed. They argued that the effective management of their relationships with the government bodies may keep them within the corporate system, as their support is considered to be critical for organisations to survive. SER had been used by the sample companies to provide information aimed at meeting governmental requirements and expectations. An organisational participant from the manufacturing sector expressed:

> ""*Every year, we need a license extension from the government to continue to operate. Therefore, we have to make sure that our company complies with all the social and environmental standards set by the governmental bodies … But the most important thing is that we have to keep them informed on a regular basis*". (Organisation E01)

All interviewees understood that, in order to manage their social contract and legitimacy, they needed to fulfil their obligations with regard to the laws and regulations. In addition, it is also their fundamental responsibility to disclose any environmental and social information related to those laws. This explains why the sample organisations' use of SER as a communication tool to disclose their social and environmental performance information primarily addresses that specified by government bodies. What takes place between the sample companies and the governmental bodies demonstrates pragmatic legitimacy in the form of fulfilling stakeholder expectations. According to the theoretical perspective, pragmatic

legitimacy occurs when specific outcomes are exchanged between the organisation and its key audiences. In this regard, it can be asserted that the interviewees recognised government bodies as definite stakeholders that have a formal contract and direct influence on organisational survival.

The empirical insights show that, initially, the sample companies from both sectors seem to disclose the social and environmental information suited to meet legal and regulatory requirements. At a later time, they tend to expand the boundaries of their reports to include policy procedures, company codes of conduct, CSR activities and other related information into their voluntary reports. The information provided is not limited to specific governmental requirements but tends to be of a general nature. This also includes publishing via company websites, in press releases or through other media to attract public attention. To some extent, the interview data suggests that compliance with governmental laws and regulations is one of the reasons behind the initiation of SER practices among the sample organisations.

The interview data show that, although the interviewees responded in different fashions in regard to their disclosure activities, they generally agreed that companies should work within their legal frameworks. Their reports tended to include social and environmental policy and performance with regard to, for example, waste management, energy usage, working conditions, and employee health and safety. However, in practice, the information requirements laid out by the specific laws and regulations seem to be geared to its use by government authorities, rather than by the general audience. As some of the mandatory reporting forms need to be filled out with technical details and specific data, they may be too complex and difficult for general audiences to understand; for example, the information pertaining to the total volumes of materials, chemicals, and energy used in production, the carbon emission levels, the discharge of waste products into bodies of water, and the development scale of implemented projects. Several interviewees mentioned how the lack of consistency and integration among the government agencies responsible contributes to the production of fragmented and duplicate paperwork. One interviewee from Organisation E supported the idea that the legally required documents are

unnecessarily long and too complicated, and difficult for the general public to read. He further suggested that, even though a collection of documents relating to the laws and regulations is not widely available to the public, it is the very first step in his company's move towards undertaking voluntary SER practices.

One interviewee from the energy sector (Organisation D) supported these claims by stating that their first report had been put together and adapted from a collection of documents relating to environmental law that had been submitted to the government authorities. They had made the technical terms or wordings more user-friendly for the benefit of a general audience and called it their 'Environmental Report'. In a similar response from the manufacturing sector, the Vice President of Organisation G seemed to agree by illustrating that, when his company had started to issue its first report, it had adapted it from the information provided to satisfy the Health and Safety Regulation requirement; for example, the results of its annual assessment to the Department of Labour Protection and Welfare. This assessment report included all the pertinent information, such as the total number of employees by age, worker health and safety conditions, occupational incidents, workplace health and safety programmes and training, welfare benefits provided to employees, and any plans aimed at improving worker protection from occupational hazards. This information is basically found in the social or employee sections of the sample organisations' report. The purpose of the earlier version of the report was to share data within the organisation as well as to report them to the stakeholders. Organisation G's first public report was called the 'Health, Safety and Environment Report'. According to an interviewee:

> *"I think that it is a good idea for the company to provide the related information on social and environmental issues… We come up with our first 'Environmental report' last eight years ago… at that time we need to publicise to show and tell the stakeholders that we have environmental responsibility".* (Organisation D01)

6.3.1.3 Urgency

Regarding to laws and regulations, it can be recognised that a government's legitimacy is linked to the power it is able to exercise over an organisation. Mitchell et al. (1997) viewed such connection between power and legitimacy as a form of

'authority'. In term of SER practices, the sample organisations see themselves as having the responsibility to disclose the legally required social and environmental information. They accept that compliance with the legal framework is the primary factor motivating them to adopt SER practices. Reflecting the power and legitimacy wielded by laws and regulations, the interviewees admitted that their companies have to comply with legal and regulatory requirements without delay in order to avoid penalties and punishment.

6.3.1.4 Discussion

The review of the collected data shows that the laws enacted by the government are regarded as being an important source of power. Basically, the government enacts the laws, rules, and regulations to which a company has to conform in all its business decisions and activities. The Thai government also places great care to enforce laws and regulations and to punish those who do not abide by them. From the interview data, the government's power has been recognised by all sample companies. The very strict law enforcement policy and the intense governmental scrutiny have directly impacted and influenced the organisational decision making process. The key relevant laws and regulations relating to social and environmental aspects are, for example, the health and safety law, the environmental protection act, the social security act, and the labour protection act.

All of the interviewees accepted that they were bound to fulfil their obligations with regard to laws and regulations. It seems reasonable to recognise that the sample companies need to comply with legal requirements in order to avoid the prescribed governmental punishments or penalties. The theoretical perspective gained through Mitchell et al.'s (1997) framework, based upon Etzioni's (1964) analysis of power, suggests that failing to comply with the relevant laws and regulations may lead to prosecution and to the imposition of penalties by governmental authorities. The application of force through the imposition of punishments or penalties by governments or regulatory bodies can be recognised as a form of coercive power. A statement made by one of the organisational participants reflects this point:

"I would say that, compared to the 1970s-80s, the current government pays much more attention to social and environmental issues such as pollution, global warming, labour protection, and health and safety, which are more or less related to the rapid economic growth especially after the 1997 financial crisis . . . Even as we experience an unstable political situation, I still believe that the governmental authorities have the best ability and capability to deal with this because they can make both administrative and enforcement decisions. As you can see in the case of riverside factories releasing industrial waste into the waterways, the government enacted administrative penalties and punishments that include warnings, restraining orders, suspensions of professional licenses, and partial or total temporary operation closures." (Organisation C01)

At the same time, the sample companies revealed that they comply with the laws and regulations in order to maintain their license to continue their business operations. This shows how the sample companies comply with their obligations to meet legal requirements in order to be supported by government bodies. It can be argued that organisations largely depend on the support of the government for their survival. Previous studies (Pfeffer and Salancik, 1978; Zimmerman and Zeitz, 2002; Neville et al., 2011) held a view of power based upon the concept of resource dependence, which suggests that stakeholder utilitarian power is related to an organisation's dependence upon a particular stakeholder for its resources and support. On the other hand, the empirical insights illustrated that the sample companies need to manage the relationship with government bodies as key primary stakeholders. The sample organisations see themselves as having the responsibility to disclose the social and environmental information required by the government bodies. They accept their claims of being a key factor motivating them to adopt SER practices. It could be argued that the sample companies used corporate disclosure to provide information that demonstrates that they are operating within the social contract and legal limits. SER is employed to manage their relationships with the government authorities and show that they are conforming to their expectations, as well as to ensure continued governmental support and approval. The use of SER by the sample organisations helps develop an 'exchange legitimacy' with the governmental authorities, which enables them to continue their business operation. In this regard, it can be acknowledged that the government bodies' pragmatic legitimacy and utilitarian power seem to overlap considerably.

Mitchell et al. (1997) viewed such connection between power and legitimacy as a form of authority. It can be clearly seen that government bodies have authority over the sample organisations and can directly affect the reporting organisations by taking legal actions and withholding resources or licenses to operate. As powerful and legitimate stakeholders, the government bodies were therefore given high priority by the sample companies. All interviewees gave their full attention to the government bodies' claims. This was also reflected in the high degree of immediate responses given to requests made by this particular stakeholder group, as failing to do so would have a direct impact on company survival. For example, the consequences of such a failure could take the form penalties and punishments. In this regard, SERs could be used for more than just meeting the requirements of these stakeholders, but to effectively manage the relationships with them. From the theoretical perspective, it can be stated that government bodies, that hold very high levels of power, legitimacy, and urgency, can be referred to as 'definite stakeholders' in both industry sectors.

6.3.2 *Lenders*

6.3.2.1 Power

While all the perceptions of the interviewees with regard to the existence of coercive power were related to that of the government, the existence of utilitarian power was acknowledged by the majority as being mainly associated with financial means. As perceived by the organisation participants, lenders were recognised as a source of funding. Their considerations are one of the factors that most affect corporate decision making. Their ability to invest or withdraw capital or other resources can be viewed as ways in which utilitarian power is used to directly influence company operations.

The energy sector

In the environmental industries' sector context, the interviewees from the energy sector acknowledged that, in relation to industrial sector characteristics, banks or investors seem to have become aware of any organisational activities that may

damage the environment; this has resulted in an increase in costs or in a reduction in profit. The costs, for instance, may include those linked with failing to comply with environmental laws, which, moreover, could affect an organisation's ability to keep a project going or result in its license to operate being terminated, thus also increasing the risk of loan non-repayment to the lender. As mentioned earlier, Organisation G was ordered by the Court to shut down its projects for failing to comply with the environmental protection law. For this reason, investment institutions require well-documented social and environmental information when making a decision about a loan process. There is still much to be done in regard to the evaluation and classification of those environmental risks that have an impact on corporate operations. Since they always depend on a company's portfolio's credit risk, risk evaluation processes also vary from bank to bank. An interviewee said that:

> *"In order to meet their expectation – providing sustainability report is a good way to this. Just like the financial report with continuous and regular publication. Sustainability report is the formal document of the company which address all about its social and environmental related issues."* (Organisation F03)

> *"We need to demonstrate them (the creditor and lender) by gathering information that the projects are not harmful to the environment and complied with the law as this will benefit us to get the projects going."* (Organisation C02)

The manufacturing sector

The interviewee from an electrical goods manufacturing company stated that the electrical and electronic industry is one of the most prominent and fastest growing, having contributed almost 24% of Thailand's annual export revenues by generating US$55 billion (BOI, 2014). The interviewee further explained that Thailand's transformation from an agriculture-based economy into a manufacturing-based one had played a crucial role in the country's overall economic development. However, manufacturing processes still make use of a large range of basic agricultural products,

such as rice and sugar, as major production components. Due to the rapidly expanding markets, businesses have currently moved from being labour intensive agricultural industries into more capital and skill intensive ones. They are generally set up as large-scale operations and require large amounts of money to keep going. Accordingly, it is important to source large scale funding to enable business expansion and the implementation of new technology. When seeking additional financing resources, it is therefore important for organisations to comply with the requirements set forward not only by governmental bodies, but also by local and international investment institutions.

A number of interviewees mentioned a rising concern on the part of the investment institutions to include social and environmental considerations as part of their credit appraisal processes. For example:

> *"Nowadays, the lending principles of banks, and especially of international ones, remain focussed not only upon financial risk management but also upon perceptions of social and environmental risk, in terms of the considerations that are taken into account as being most important when approving loans."* (Organisation I02)

> *"We have to earn the financial support from banks to carry out business activities. This is very important to us. We see our social and environmental report as an important document submitted to the bank annually…it is not a public relations document I would say."* (Organisation J02)

With their comments, the interviewees illustrated their concerns with investment institutions showing an increasing interest in evaluating social and environmental risks. Their companies use SER to provide additional social and environmental information, as opposed to financial information only. This information includes CSR activities, company codes of conduct, health and safety procedures, sustainable development policies, etc. This suggests that the sample companies will source their funding requirements to maintain their principal relationships with the investors. Another possible interpretation of the empirical findings is that the importance of meeting any investment institution's requirements that may impact loan approval processes may be viewed as a form of power between the sample companies and their

investors. Consistent with the government law and regulation case, it can be recognised that the investor holds utilitarian power in the sample companies' loan approval process setting.

6.3.2.2 Legitimacy

One of the key themes identified by the majority of the sample organisations as a motivating factor for the adoption of SER practices is related to financial benefits or economic purposes. The influence of financial institutions was perceived by the organisational participants to differing degrees; it was particularly felt by those who sought external financial resources. A number of organisational participants indicated the importance of addressing social and environmental concerns in their business strategies plans as part of a loan approval process. Due to the nature of their business, which has a high potential to harm the environment, industries like oil and gas are highly aware of environmental risks. These are also directly linked to financial risks, as was seen in the case of BP's Deepwater Horizon, which saw the company facing compensation claims over the damage caused by the 2010 Gulf of Mexico oil spill. Therefore, it is reasonable for financial institutions to be adequately aware of and concerned with these aspects in their loan decision making processes. Over the past decade, both financial institutions and banks have begun to encourage organisations to disclose their social and environmental information when applying for financial loan consideration. During the interviews, the existence of this endorsement was perceived by four of the organisational participants across the industrial sectors. One organisational participant from a manufacturing company said that:

> *"In the loan process, a high priority is given by investment banks to the disclosure of a business's social and environmental impact together with its business plan"*. (Organisation G01)

Another organisational participant from an oil and gas company made the related comment:

> *"You already noticed that different stakeholder groups are increasingly voicing social and environmental concerns. They are raised by bankers or investors during their decision making process, especially when giving loan approvals"*. (Organisation B01)

In terms of the legitimacy perspective, the organisational participants also acknowledged that financial institutions/banks can potentially influence organisational operations, including reporting activities. The sample companies seem to adopt and incorporate standard loan procedures into their disclosure policies. This reflects that lenders are considered to be *legitimately influencing the sample companies in adopting SER.* Organisations are thus likely to adapt and change their activities and reporting to comply with stakeholder expectations. This clearly demonstrates that SER is undertaken by organisations in order to respond to those legitimised stakeholders upon which they are financially dependent.

6.3.2.3 Urgency

In addition, a couple of interviewees from companies in different sectors expressed that these loan requirements represent a big challenge for them. They took the view that getting credit approval is extremely important in order to carry out business activities. One organisational participant further expressed the similar view that the critical nature of the need for financial resources leads to the attribution to financial institutions of a degree of urgency as high as that wielded by laws and regulations. To continue their business operations, their companies need to respond to creditor requests. However, they agreed that engaging with SER requires a lot of time, human resources, and money. Thus, in the absence of either investor or creditor pressure, they might not pursue the disclosure of social and environmental information and would rather postpone or delay the undertaking of SER practices by a few years. An interviewee stated that:

> *"Actually, they* [investors and creditors] *enabled us to process our SER more quickly than we expected. We had a five-year plan to engage with SER. But we decided to do it last year as part of the loan requirement process . . . To provide the necessary information is our main duty. We are well aware of the importance of socially and environmentally related information as a part of the loan requirement".*
> (Organisation I01)

6.3.2.4 Discussion

The organisational participants acknowledged that, in order to get financial support or obtain loans, they need to provide relevant social and environmental information in addition to merely reporting their financial data. It emerged that the organisational participants perceived that there had been an increase in the loan providers' or creditors' awareness regarding social and environmental impacts, as these may lead to potentially negative financial impacts on the organisations. Therefore, they had to respond by taking this requirement into consideration and act in terms of disclosures. In this regard, when this capital owning group becomes active or alert, their requests seem to gain high salience in the eyes of the company management. This demonstrates their ability to exercise their attributes of power, legitimacy, and urgency to affect company behaviours based upon their desire, in this particular instance, to obtain social and environmental information within annual or standalone reports. In other words, the influence of lenders, which are recognised as 'definite stakeholders', can motivate the sample organisations to adopt SER practices in order to gain financial benefits. From the empirical data, it can be argued that their high levels of stakeholder salience are mostly based on the possession of utilitarian power and pragmatic legitimacy. The overlapping between these two stakeholders attributes leads to high levels of urgency and thus exercises a very strong influence over organisational practices, including SER.

6.3.3   *The Stock Exchange of Thailand (SET) Guidelines*

A stakeholder group that can be clearly seen as being highly salient and was given high priority by the sample companies is the Stock Exchange of Thailand (SET). Listed companies have evolved around the Public Limited Companies Act, the Securities and Exchange Act, and the Civil and Commercial Code. These laws have provided strong foundations, institutional settings, a supervisory framework, and enforcement rules for the Thai capital market. Other regulatory requirements governing corporate practices in Thailand consist of the rules of the Stock Exchange of Thailand (SET) and the regulatory notifications set out by the Securities and Exchange Commission. The SET's main operations also include securities listings,

the supervision of listed companies and information disclosure, trading, market surveillance, member supervision, information dissemination, and investor education (SET, 2015).

6.3.3.1 Power

The interview data reveal that, in addition to disclosing information as specified by governmental body laws and regulations, listed companies are required to ensure that all important information, both financial and non-financial, is disclosed correctly on a timely basis as required by the SET's guidelines. From the interview discussion, increasing attention has been given during the past decade to corporate social responsibility in the Thai context. A growing number of investors and companies is concerned about social responsibility and hence take a company's CSR policies and activities into consideration when making their investment decisions. It can be suggested that this could be related to the introduction of domestic and international guidance regarding social and environmental issues. Therefore, it can be seen that, over the last decade, listed companies with multinational clients have recognised the strategic importance of adopting sustainability practices and reporting in order to meet global expectations. In this study, most of the interviewees believed that the 'SET Guidelines for sustainability reporting' were designed to help Thai companies to expand their vision of CSR beyond charity and philanthropy and adopt it as a strategic issue. The interview data revealed that the sample companies from both sectors believed that SET guidance represents a serious commitment to international standards and is a big push for Thai companies on SER implementation and reporting. At the same time, the SET also had the power to exert its influence over the companies' decisions and activities. Throughout the interview process, the terms 'SET guideline', 'SET report benchmark' and 'SET sustainability reporting guidelines' were frequently used by the participants. However, there were slightly different responses from the two industry sectors. The discussion follows.

The energy sector

When discussing Stock Exchange of Thailand (SET) regulations regarding SER practices, the organisational participants from the energy sector strongly expressed perspectives similar to those pertaining to their legal obligations. As listed companies, all of the sample participants recognised their responsibilities in disclosing their social and environmental related information with their annual financial reports. The organisational participants were fully aware of the Securities and Exchange Commission's (SEC) requirements pertaining to the disclosure of CSR policies and activities; these include the submission of annual financial reports (in both Thai and English) and the disclosure of related additional information on business operations in Form 56-1 (SET, 2014). The content of this form, an annual disclosure statement providing additional non-financial information, can be further extended to include organisational events such as significant corporate changes or an overview of industrial and business operations, related-party transactions or potential risks. These regulations also empower the SEC to suspend the stock market trading activities of any listed companies that are found not to be in compliance. If the listed companies fail to disclose and submit the required form, the SET is empowered to impose a temporary trading interruption by posting an H (halt) or SP (suspension) sign on the company's securities. Thus, the undertaking of SER practices under SET requirements can be found among a range of participant companies. One of the organisational participants emphasised that:

> *"I feel that the listed companies are especially closely monitored and verified by the Stock Exchange of Thailand (SET). Therefore, we needed to ensure that we fill out and publish Form 56-1* [the disclosure report concerning additional information including social and environmental information] *just like our financial information".* (Organisation H01)

It can be suggested that, as listed companies and in order to avoid punishment or the suspension on their business operations, the sample organisations must comply with SET regulations by disclosing their social and environmental information and any additional data that could be relevant for investment decisions. At the same time, the sample organisations must earn the SEC's approval to operate in the stock market; to do so, they have to ensure that they operate within the SET regulations. These concerns are similar to those reported by the sample companies in relation to

compliance with the law in order to win government contracts or maintain their licenses to operate. From the empirical data, it can be seen that all the organisational participants recognised compliance with SET regulations to be their mandatory responsibility. They felt that they were primarily compelled to disclose social and environmental information by SET regulations. In this regard, it can be implied that the influence of the SET regulations is perceived by the participants as an overlap of coercive and utilitarian power. The manager from oil and gas companies stressed it during the interview:

> *"Recognising the importance of sustainability disclosure, we are giving priority to disclosure of corporate activities to the public on an annual basis with adherence to the SET sustainability reporting guidelines...My team adopted the SET Sustainability Reporting Guidelines which I strongly believe will be beneficial for all of us".*
> (Organisation B02)

From the interview data, it appears that sample companies perceived the SET as one of their most important stakeholder groups and, consequently, felt the need to affirm their responsibility towards this group. Compliance with the guideline documents incorporating social responsibility and reporting released by the Stock Exchange of Thailand (SET) is one of the most influential factors emerging from the interview data that has an impact on the undertaking of SER practices.

The manufacturing sector

In contrast to governmental power, which enforces laws and regulations to control organisational operation and to punish those who do not comply with them, the organisational participants identified that, since 2006, the SET has established the SET CSR Awards in order to effectively promote CSR concepts and encourage listed companies to become more involved. The main purpose of this award is to recognise those listed companies that have shown an outstanding social and environment responsibility performance and honour them as exemplary models (SET, 2011). These prestigious awards are given to those listed companies that have shown excellent performance in financial management, adherence to corporate governance, investor

relations, transparency, and disclosure. This positive force can be seen as a normative power impacting upon organisational practices. A number of organisational participants pointed out that these factors had a positive impact by motivating their companies to adopt a more proactive approach towards both CSR activities and SER practices. They recognised that the award reflects the extent of an organisation's responsibility and accountability with regard to its business activities.

In this PhD study, an interviewee from a manufacturing organisation that had been given the award stated that such recognition had publicised the company's position as leader in its industry sector with regard to responsibility practices, including the disclosure of social and environmental information. The awarded company's experiences, practices and efficient outcomes are published and shared through the SET's public channels. The awarded organisation stated that:

> *"The award represents the pride we take in our company's achievements. We strive to improve our organisational behaviours and its transparency in disclosing further information year after year".*
> (Organisation A05)

The empirical data shows that, in the past few years, there has been a significant increase in the number of companies that have become candidates for the SET CSR Awards. Additionally, a "Hall of Fame" honour award is also available for those companies that receive a CSR award for two consecutive years (SET, 2012). Two of the sample companies have won this honour award by showing exceptional progress in operating in a responsible and sustainable manner. An interviewee from one of the awarded companies stated that:

> *"Received CSR Recognition Awards for outstanding CSR activities companies, the commitments to operate our business with responsibility can be demonstrated through these awards. Our pride from the awards and recognitions has been motivating us in striving for better things to improve including engaging with sustainability report".*
> (Organisation I06)

6.3.3.2 Legitimacy

From the interview data, it could be claimed that the sample companies are acting within the bounds of the SET's guideline to demonstrate their commitment to it, as its support is considered to be essential for success. A common response that emerged during the interview regarding the SET guidelines is that they are an effective way to communicate with society and show that the sample companies' activities are consistent with SET's objectives in that they are reliable and trustworthy. In other words, the companies have a contribution to make and constructive reactions are appropriate and in line with SET's reference and requirements. A response from a participant of the manufacturing sector was as follows:

> *"Set report standards in accordance with the SET benchmark will benefit to be at par with companies in international exchanges, thereby becoming more recognised and accepted at the national and international level in terms of completeness and credibility".* (Organisation E01)

While the insight shared from one of the energy companies was:

> *"We issued our revision of the Corporate Governance and Code of Business Ethics Handbook to align it with the Stock Exchange of Thailand's (SET) guideline on the disclosure of CSR policies and activities".* (Organisation D02)

6.3.3.3 Urgency

Due to the importance of the SET's requirements in terms of both power and legitimacy, the sample companies admitted that they need to promptly respond to them. In addition, the SET makes use of deadlines to place time pressure on the listed companies for the publication of their audited annual financial reports and additional social and environmental disclosures, which need to be accomplished within three months of the end of each fiscal year. According to SET regulations, the listed companies' disclosures must be made at specific times; for instance, at least one hour

prior to the commencement of each trading session, or after close of the trading day. If a company's information is disclosed during a trading session, the SET is empowered to impose a temporary trading interruption until the company has completely disclosed this information to ensure equitable access to it (SET, 2014). The organisational participants therefore clearly perceive such obligation as being critical and time-sensitive, thus requiring their attention.

6.3.3.4 Discussion

The interview data illustrated that the sample companies perceive the influence of SET's power attribute upon their decision to initiate SER practices to varying degrees. In this PhD study, sample organisations from both sectors appear to be impacted not only by coercive and utilitarian but, at the same time, also by normative power. One of the key findings that emerged during the interviews is that a number of organisational participants specifically referred to the SET Awards as the one of motivational factor behind their initiation of SER. The interviewed participants from three sample companies belonging to different industry sectors expressed how honoured they had been to receive the SET's prestigious annual awards, given to listed companies that have shown outstanding financial and social performance and run their business in a socially responsible fashion. This reflects the use of normative power as a token of prestige and esteem, and as a social symbol of acceptance by the SET. It can be suggested that this recognition creates credibility and shared values by means of the application of positive persuasion, rather than by exerting physical control or by offering monetary rewards or benefits. The above discussion is an illustration of the relationship between the sample companies and the SET as one of the highly salient stakeholders, as shown on table 6.1. In this regards, the SET can be recognised as a definite stakeholder.

However, at the practical level and even within the same industry sector, there is still a wide gap between those companies that report more and those that report less. In this study, the use of specific sustainability reporting frameworks—the G4 GRI guidelines—makes it easier to assess and compare companies in terms of their sustainability performance and related information. The various commitment levels

have resulted in a few sample organisations using symbolic disclosure to respond to the SET announcement in an attempt to convey a disposition to their concerns. Accordingly, an organisational participant said, during the interview:

> "The SET has published a guideline document concerning disclosure of CSR policies and activities. Prior to the notification, only 30 -33 companies, mostly the large organisations. Nowadays, the number of reports [that] organisations [provide has] significantly increased . . . However, companies that aim to just promote their CSR activities should be aware of their intention and outcomes".
> (Organisation I03)

6.3.4 *The CEOs and the Boards of Directors*

From the empirical data, it can be noted that there is a significant increase in terms of the number of companies publishing standalone sustainability reports or including substantial social and environmental related information within their annual reports in the past few years. This growth is attributed not only to government and regulator involvement, but also to a growing awareness amongst the business sector itself. According to table 6.1, there is a relative difference between two sectors. The influence of CEO personal motivations to initiate SER seems to appear more in the energy sector rather than in the manufacturing one. This is going to be discussed in detail in the next section.

6.3.4.1 Power

The energy sector

Within the energy sector, the organisational participant from one of the earliest reporters stated that his company's decision to adopt SER practices was largely the result of the influence of the CEO, who was very socially and environmentally aware. He further explained that his CEO was interested in becoming involved in community activities, both locally and nationally, and this trickled right through to the company's policies. In this case, the personal interest of the chairperson who wished to run the business in a socially responsible way persuaded the business to engage in social

activities. He gave some explanations concerning this point, one of which is stated below.

> *"Instead of waiting for the government to act, our CEO urged companies to take initiatives to establish social and environmental policies and reporting. Therefore, over the last decade, our company has established policies on sustainable development to protect people and the environment."* (Organisation F02)

Similarly, the interviewee from Organisation C asserted that the commitment of the company's management seemed to be a key motivation factor that influenced company policies and actions. He further expressed that ideas of corporate responsibility and accountability were promoted from the top management. He reported that the management team was very concerned about its responsibility and fairness, bringing together employees from various fields and encouraging them to share their thoughts in order to gather useful ideas and examples to improve business operations. Then, the management team created and consolidated employee codes of practice in written documents, called "(Name of Company) Code of Conduct". It can be considered that the management team was concerned about its corporate responsibility, starting with its own company. One of the statements made by the President of the company in the internal newsletter shows that:

> *"We are committed to focussing on environmental management in line with any economic and social aspects. Nowadays, businesses cannot just aim at making profits; they must collaborate with each other to protect the environment and people in line with criteria of sustainability."* (Organisation C01)

Another interviewee from a petro-chemical company additionally revealed, on this subject, that her company's Board of Directors had appointed a Sustainable Development Committee to create Sustainable Development Implementation Guidelines in order to provide a framework for the creation and effective implementation of improvements and of a balance between business operations and environmental conservation, to ensure a better quality of life for local communities. An organisational participant explained that:

> *"Our company's Board of Directors has determined that sustainable development requires annual monitoring and evaluation, and must be updated in line with economic and social situations."*
> (Organisation D02)

It is no secret that CEOs and/or the Boards of Directors have influence on the operations of the sample companies. Their abilities and capabilities can influence the companies in engaging in SER. Their formal relationships with the organisation appear to be important, as perceived by most interviewees. However, the degree of power of the CEOs' approach does not mean that their strong control can be compared to the high levels of pressure exerted by government bodies; rather, it appears to take the form of a facilitator and supporter. From the theoretical framework, it can be suggested that the CEO influence seems to possibly involve the overlap between utilitarian and normative power from the perspective of reporting organisations.

The manufacturing sector

While the level of CEO influence is significant in the energy sector, it seems not be so in the manufacturing one. A few of the interviewees highlighted the interesting point that maybe the nature of the business operations of the manufacturing sector has not been recognised as 'environmentally sensitive' as that of the energy sector. Therefore, the management of the former may not be paying as much attention or concern to socially and environmentally related issues. The interviewees highlighted that the more environmentally sensitive an organisation is, the greater the attention it receives from the public in general.

In addition, during the interview process, the terms 'economic survival', 'bottom line' and 'limited financial resources' were frequently employed by the interviewees with regard to the issue of increasing reporting costs. This suggests that, in Thailand, economic survival remains the top priority in the eyes of CEOs and management teams, while engaging with CSR activities—including SER practices—is recognised but not ranked highly in term of urgency. The work of Campbell (2000:94) also suggested that "senior managers' personal values 'infect' culture and the organization's attitude to social reporting will vary from company to company".

In this study, CSR activities—including SER practices are therefore only found in large manufacturing companies with plenty of human and capital resources available to participate in social and environmental activities and provide related information. However, this still occurs on a voluntary basis. Similar responses to economic concerns can be drawn from the organisational participants:

> *"I know that engaging in social activities will build our company's image in society. It will make us look good in the public eye. I feel that CSR could also serve the economic interest of the company, like increase its market share. But the bottom line is that you cannot run CSR activities if you don't have the money for them."*(Organisation I05)

> *"If (a project is) generating profit, then the next absolutely essential thing is to undertake social responsibility … the management's main responsibility is to earn profit first; undertaking social responsibility initiatives is complementary to our profit."*(Organisation J01)

6.3.4.2 Legitimacy

In this study, the influence of CEOs and the management teams in promoting SER practices was recognised as one of the motivational factors by the organisational participants. The personal influence of an organisation's leadership, which impacts the organisation's CSR and SER practices, can be perceived as a manifestation of the legitimacy of the personal status and charisma of company representatives (Suchman, 1995). Throughout the interviews, it could be easily noted that CEOs influence the social and environmental policies and often engage in CSR activities in companies that have a very long business history. This is also reflected in their slightly differing views regarding the use of SER practices to showcase their corporate culture and responsibilities. Those sample companies with a longer history usually have consolidated organisational practices and values. Their employees believe that their organisation is a part of society and will contribute to its sustainable progress. Two participants from different long-established organisations stated that:

> *"Starting with the encouragement of our executives… we always realised that we are a part of society and will make every effort to drive society towards a strong and sustainable prosperity".*
> (Organisation D01)

> *"Beyond our organisational policy, there could be the personal interest of our CEO who wishes to run business in a socially responsible way. ... He is very socially and environmentally mindful".*
> (Organisation A05)

Disclosing social and environmental related information is perceived as a good business practice to demonstrate corporate responsibility for long established companies; for them, SER publication has become a common and accepted practice over the past decade.

6.3.4.3 Urgency

Recognition of the CEOs' top down approach can be seen as an important issue, as perceived by some interviewees. However, its degree of criticality and time sensitivity is not as high as that of the laws and regulations enacted by government bodies. The interviewees revealed that this management approach appears to take the form of a facilitator and stimulator rather than that of an order requiring an immediate response. Two of them responded thus:

> *"We are fully aware that management plays an important role in ensuring that we achieve sustainable growth and that its operational standards. They (the management) want to make sure that we are doing things properly and encourage everyone to also take a sustainable development approach to their operations".* (Organisation G02)

> *The management's main responsibility is to earn profit first; undertaking social responsibility initiatives is complementary to our profit."*(Organisation J01)

From the above interview quote it can be seen how, in the eyes of the CEOs and management teams, engaging with CSR activities—including SER practices—is not perceived to be either important or urgent. There is no need to address them, nor do they require any immediate action.

6.3.4.4 Discussion

From the empirical data, the sample companies, with the encouragement of the executive management, have well-established CSR programmes and SER practices. This reflects the CEOs' influence on policy making to demonstrate responsiveness and show a commitment to social and environmental issues. CEOs have both power and legitimacy and are therefore able to ensure that their approaches are noted and put into practice. The combination of all these three attributes enables the CEOs and/or the Boards of Director to be described as 'definite stakeholders'. In practice, even though CEO expectations regarding social and environmental concerns are likely to be acknowledged by the managers, due to the increased additional costs, most of the sample companies remain largely focussed on their economic survival. The sustainability concept, including SER practices, therefore remains in its infancy.

6.3.5   Shareholders

6.3.5.1 Power

From the interview data, it emerges that the sample listed companies recognise shareholders as one of the most powerful organisational stakeholder groups. The interviewees' perceive the power dependency relationship that exists between companies and shareholders as highly crucial because the shareholders control capital and provide the company with financial resources. Most interviewees from both sectors agreed that the main responsibility of the management is to maximise shareholder profit. If this is not achieved, shareholders can put pressure to replace the CEO, which may become a very sensitive issue directly impacting organisational operation. Moreover, the ability to raise funding for future investment projects can be hindered should shareholders lose confidence in the management's ability to conduct business in a profitable manner. This could also have a marked effect on share prices and stock market reactions, resulting in lost opportunities to raise capital through the stock market. An organisation's value can follow the fluctuations of public trust.

From the literature review, we have seen that a significant amount of research has been undertaken to understand the relationship between CSR activities—including reporting—and company financial performance. Previous studies (Cormier et al., 2004; Tilt, 2007) suggested that shareholders are likely to agree to a company investing in CSR projects if these positively impact profitability. In Thailand, however, at the practical level, SER practices are still undertaken on a voluntary basis. Even though the outcomes of such investment may be of a monetary nature, maximising profit is still the first priority. Therefore, the sample companies perceived no significant shareholder pressure and demands towards the initiation of CSR projects and reporting practices in the Thai context. Shareholder pressure has little to do with the sample companies' approaches towards SER practices. In other words, it seems that the voice of the shareholders is not perceived to be an important factor in engaging with SER practices. An interviewee from an electrical goods manufacturing company stated that:

> *"You know, shareholders are normally interested in the bottom line of your financial report. I mean profit and loss, rather than how many CSR activities you did or what you showed in your sustainability report this year".* (Organisation J01)

The energy sector

The empirical data emerging from the energy sector seems to illustrate that shareholder awareness, in terms of social and environmental responsibilities, is still limited compared to that demonstrated by lenders or creditors, which do tend to show more concern towards such issues. In Thailand, sustainability reports are read by limited groups of stakeholders, such as the government, regulators, lenders, and shareholders. Basically, shareholders mainly focus upon the financial information because they are little aware of the impact of business on society and on the natural environment. Their social and environmental concerns are relatively weak compared to those of their counterparts in developed countries. For example, in the US, the UK and in some European countries such as Norway, Germany, and Switzerland, there are socially responsible investment (SRI) funds that are channelled to selected companies that address social and environmental issues, rather than focussing upon financial performance alone. These kinds of funds were set up in response to

shareholders who were concerned not only with money, in terms of profits, but with corporate responsibility in the CSR context. They represent an investment based upon the nature of the business conducted in terms of aspects of social and environmental responsibility, such as renewable energy sources, clean technologies, and community development; while they are withheld from companies involved in violations of worker rights, in environmental harm linked to high pollution rates, and in the manufacture or distribution of weapons (OECD, 2007).

Despite the very limited shareholder pressure experienced by the sample organisations, there was less tension among the interviewed companies in terms of social and environmental responsibility and reporting issues. During the interview, one of the interviewees noted that:

> *"In the past, the purpose of the annual report was to communicate with shareholders; so it focussed upon how much profit had been made on investment and upon how much dividend had been paid out. However, nowadays, shareholders look forward to collect social and environmental information . . . If we disclose the CSR and related information, the shareholders seem to ignore it or not to pay much attention to it. However, when we try to remove these data from our report, they become very demanding for that particular type of information."* (Organisation F05)

The interviewees suggested that shareholders could be quickly alerted should a company either reduce or omit its disclosure of the scope of its socially and environmentally related information. They would use their power to demand and request the related social and environmental information via the shareholders' committee or in the annual shareholder meeting. Therefore, it is a company's responsibility to incorporate its shareholders' demands into its decision making process, including reporting practices.

6.3.5.2 Legitimacy

The energy sector

Throughout the data collection process, the interviewees viewed shareholders as legitimate stakeholders sharing their organisations' interests, even though more than half of the interviewed participants from both industries stated that shareholders remained largely focussed on economic aspects rather than social and environment ones. However, when discussing the motivations for undertaking SER practices, the interviewees still focussed upon and responded directly to the interests of shareholders, who are an organisation's specific audience (Suchman, 1995). Similar reactions emerged from the interviewees:

> *"In order to ensure continuous improvements to the disclosure of information in the report, we incorporate additional information into the report's content based on comments and suggestions linked to shareholder expectations and gathered from the annual shareholder meeting".* (Organisation H01)

> *"Nowadays, shareholders look forward to know more about social and environmental information… The purpose of SER is to communicate with shareholders".* (Organisation F03)

The organisational participants explained that their organisations were aware of shareholder requests and took them into consideration in order to further develop their reporting processes. The above discussion demonstrated the pragmatic legitimacy that occurs in those instances in which the reporting organisations respond directly to their shareholders, which are the key users of their SER report.

The manufacturing sector

From the manufacturing sector perspective, the empirical data show that newly established companies disclose their social and environmental related information as an opportunity to publicise the way in which they conduct their business activities. An organisational participant admitted that:

"Through our SER, we have made commitment to our shareholders to conducting business in parallel with promoting sustainable progress… we run the new projects with the most up to date technology that aims to reduce greenhouse gas emissions."(Organisation G01)

In this case, it can be suggested that a disclosure approach may be used as a communication strategy with potential shareholders about new processes and reinforce the idea that the organisations are promoting society's wellbeing. Adams (2002) noted that social and environmental information enables stakeholders to assess the social and environmental performance of organisations by providing them with the opportunities to understand the way organisations conduct their activities. At the same time, SER practices have been used to build up corporate image to the eyes of shareholders. This may suggest that newly formed companies use corporate disclosure approaches as a pro-active strategy to enable shareholders to assess their operation and in order to gain support and demonstrate satisfactory performance in social and environmental terms. One of the organisational participants said this during the interview:

"I do think that enhancing positive communications with shareholders seems to be a key area on which we need to focus upon as we are trying to build up a good relationship with them, at the same time it may impact our reputation and corporate image". (Organisation J02)

The interviewee further discussed that her company presented social and environmental related information through a variety of channels beside the formal SER report. For example, advertising in print, newspapers and magazines, newsletters, television, and billboards. She revealed that the nature of these additional channels provide additional opportunities for the organisation to represent itself and communicate with shareholders.

6.3.5.3 Urgency

Shareholder demands seem to be recognised as relevant factors requiring attention. However, in practice, shareholder demands regarding the information disclosed in reports made during the annual meetings are not promptly met by organisations. This could possibly be due to SER being normally published only once a year; therefore, an organisation may deal slowly with shareholder demands or delay them to the

following year's reporting preparation process. However, although shareholders do not seem to pay much attention to CSR activities and to the social and environmental information included in annual or standalone reports, they do seem to notice such aspects more promptly and signal or petition the management with regard to them when companies remove or relocate the information, for example, from the hardcopy report to the company website. In this case, although shareholder requests seem to be critical, they are not given as much urgency by an organisation in terms of time sensitivity.

6.3.5.4 Discussion

Among the groups of stakeholders, shareholders were perceived to a different degree by a few of the interviewed participants. Even though shareholders are a source of capital as well as key users of company reports, their impact upon SER practices seems to be slightly different from that of creditors and/or lenders. Because shareholders are largely focussed on financial aspects, the pressure they apply with regard to social and environmental concerns is very limited. Therefore, although the sample companies are well aware of shareholder interest and take it into consideration, their responses may be delayed. In this regard, it can be implied that the sample companies perceived shareholders as 'dominant stakeholders', which possess the attributes of legitimacy and to an extent, power to affect them to publish their SER, but have little in terms of the attribute of urgency. The interviewees felt a little pressure or threat aimed at adopting SER but, to some degree, they felt that they had the intention to do for specific purposes, such as promoting their new products.

6.3.6   His Majesty the King's influence

6.3.6.1 Power

Several organisational participants from both industrial sectors shared the viewpoint that Thailand's unique culture does not only exert its influence on daily life activities, but also on operational business ones. One Thai value that appears to influence

organisational practices is His Majesty, King Bhumibol, who serves as the spiritual leader of the Thai people.

Under the constitution, even though the King of Thailand has limited direct power—as he exercises his prerogatives through the Prime Minister and the National Assembly—in practice, he is held in the greatest respect and acts as symbol of unity among the Thai people. His passionate and hard work contributes to the wellbeing of the Thai people and has inspired the business sector to pursue his initiatives. From the empirical data, the Royal Initiative of the Philosophy of Sufficiency Economy was recognised by the organisational participants as being a motivation behind the sample organisational core business operations. His philosophy emphasises 'the middle path' guidance to strike the right balance between consistent sufficiency economy and human development. The organisational participants referred to this philosophy as an inspiration by which to conduct their organisational practices. One organisational participant from the energy sector noted that:

> *"Our* [project] *is inspired by His Majesty the King's philosophy of Sufficiency Economy, as showcased at the Huay Hong Khrai Royal Development Study Centre. We implement the project with the objective of achieving self-sufficiency, of having means of income generation and achieving a better quality of life".* (Organisation B02)

The manufacturing sector

In the Thai context, it can be suggested that the King's lifelong contribution and dedication motivates the sample companies to conduct business in a responsible fashion. The interview discussion that highlighted the influence of His Majesty the King on business operations can be often found in most manufacturing companies. One of the interesting issues is that a number of interviewees mentioned the company's pride and prestige linked to receiving the Royal warrant (the Garuda or, in Thai, the 'Phra Khrut'). The Royal warrant is normally used and appears in government documents to symbolise the authority of the Thai monarch. In the business sector, the warrant is granted as an honour to those companies that supply goods and services to the King and Royal family of Thailand with the phrase "By

Appointment to His Majesty the King". Moreover, the warrant is also granted to those deserving private companies that contribute and are committed to the nation's development, particularly in the economic and social fields. With regard to this prestigious recognition, the respondent said:

> *"This emblem highly honoured us as one of Thailand's royal warrant holders. It not only shows the company's loyalty to and respect for His Majesty the King, but also identifies the company as an enterprise that has been operating with transparency, virtue, and trustworthiness for many years."* (Organisation A06)

The honourable recognition bestowed by means of the Royal Emblem provides prestige to this sample company. It can be suggested that the Royal emblem exemplifies the use of normative symbols. It reflects the consideration and the importance in which the sample company is held by the institution of the monarchy, towards which the Thai people hold great respect. An interviewee from another rewarded organisation expressed that:

> *"We received the great honour of being named as a Company under the Royal Emblem. Such dedication demonstrates our commitment to operate our business with responsibility and sustainability".* (Organisation E01)

A similar viewpoint was shared by two other sample companies, which revealed having received the Royal warrant from His Majesty the King for their dedication to sustainability development. From these two circumstances, it can be seen that, for the sample companies, receiving honourable awards linked to their actions is highly visible, acceptable, and consistent with socially institutionalised practices. This positive force can be linked to the attribution of normative power as a symbol of acceptance and esteem for the sample companies and as a motivating factor for the adoption of SER practices.

6.3.6.2 Legitimacy

The energy sector

The study found that, instead of merely focussing on their respective stakeholders, the sample companies demonstrated that they were moving towards becoming socially appealing. They had a strong commitment regarding social and environmental issues that was motived by the King's influence and his Royal Initiative. One of the interviewees said that:

> *"We are committed to focussing on environmental management in line with any economic and social aspects. Nowadays, businesses cannot just aim at making profits; they must collaborate with each other to protect the environment and people in line with [the] criteria of sustainability".* (Organisation I04)

In the development of CSR activities, the Sufficiency Economy Philosophy promoted by His Majesty the King of Thailand was often referred to as a CSR motivation by the interviewees. From the interview data, most of the sample companies from the energy sector predominantly value this philosophy as guidance and a practical tool for strengthening their CSR activities. For example, the sample companies tend to help the local communities within the areas in which they are located by lending support in those fields with which they are familiar and in which they are knowledgeable. Several interviewees agreed on the viewpoint that simply making financial donations has a lower impact than providing the community with opportunities to develop itself. There are similar responses from the interviewees within the energy industry regarding to this point:

> *"Therefore, we recognise the importance of helping social and community development by lending our support through organisations recognised for their work in the field. For example, the Fish Return Home and Beautiful Beach Project . . . the Beautiful Beach Project helps the restoration of aquatic resources and commercial animals to promote the sustainable development of local island communities."* (Organisation C02)

> *"We have applied the Royal Initiative of His majesty the King on water management as guidance and encouraged communities and society to*

participate in managing water shortage and inundation through (our project)". (Organisation D03)

In terms of reporting, even though the Sufficiency Economy Philosophy does not offer any disclosure guideline, the sample companies frequently mention it in their reports and other communication channels as one of the reasons behind the initiation of CSR and SER practices. However, social and environmental reporting is still a relatively new practice and effected on a voluntary basis. It can be witnessed that the content of the report basically covers topics pertaining to CSR activities of the reporting organisation such as lending support to local community. They disclose how their corporate activities inspired by the Royal Initiative are embedded and established in their corporate value system. The sample companies show concern about the outcomes of their activities, rather than limiting themselves to merely meeting the specific demands of their key stakeholders. Moreover, they are committed to the concept of fair and equal treatment to all stakeholders. In this regards, the use of SER can be seen as a pro-active strategy in pursuit of moral legitimacy. The sample companies use sustainability reporting as a communication tool to disclose and provide the environmental information related to its activities to its stakeholders. This includes shareholders, investors, contractors, customers, suppliers, employees, the local community, and so on. This reflects the company's responsibility and accountability to its stakeholders.

6.3.6.3 Urgency

Accordingly, the respect shown to His Majesty's philosophy has been deep rooted in business operation for many decades; these values are therefore undoubtedly perceived as being important in the eyes of the organisational participants. However, SER practices are adopted on a voluntary basis, and the issue of time-sensitivity lacked perceived importance in the organisational participants' eyes. The perceived urgency of this motivational factor was allocated low priority or a slow response by the reporting organisations.

6.3.6.4 Discussion

A number of organisational participants across the industries recognised that the motivational factors for the undertaking of SER practices also originate from the unique characteristic of the Thai culture, based on religious beliefs and on the deep respect felt towards the King. This reflects on the contents of both standalone and annual reports, which often inform on CSR activities such as philanthropy, contributions to local communities, involvement in Royal charity projects or in local community development programmes. However, the sample organisations' responses to the King influence differ slightly between the energy and manufacturing sectors.

From the energy companies' perspective, the King's philosophy appears to be a motivational factor in terms of demonstrating an affiliation to social values, including the publishing of SER. A number of energy organisations perceived that it was important from them to adopt the Royal Philosophy by not only pursuing financial profit but also by conforming to socially desirable outcomes in the pursuit of moral legitimacy. The sample organisations gain moral legitimacy by demonstrating that they are embedding their CSR project to improve the local community or to promote sustainable operation. The disclosure of information on social and environmental activities and policies has been adopted as a means to demonstrate that an organisation appears to be establishing its responsibility and accountability.

On the other side, the King's positive influence was reflected in the form of the normative power that influences organisational practices and values and can be easily observed from the manufacturing. From the interview data, this normative power can be seen in the awarding of the Royal emblem to three of the interviewees. A similar viewpoint was shared in response to this honourable recognition bestowed by His Majesty the King. The participants expressed that their motivation to adopt CSR and SER practices derived from the guidelines issued by H.M. the King and by his moral integrity. It appears that the normative power exercised by the King has a strong impact on organisational practices. Being invested with the great honour of being named as a company under the Royal Emblem set a benchmark and enabled the sample companies to gain more recognition and acceptance as being trustworthy.

One of the key themes that emerged during the interviews with the sample companies is that the concept of normative power has been related to the attribution of cognitive legitimacy. As perceived by a few interviewed participants, achievements in the field of cognitive legitimacy are reflected through recognition from highly prestigious institutions such as the His Majesty the King. The interviewed participants believed that their collective behaviours, including SER practices, were being recognised against standard benchmarks. It can be suggested that those organisations that embed sustainability into their business strategies and operations become understandable and comprehensible. In this regard, it can be simply said that the identification of stakeholder salience through the attribute of normative power is interrelated with the attribute of cognitive legitimacy. It can be argued that this positive factor can be seen to facilitate or encourage, rather than control, an organisation's initiation of SER practices. Moreover, it does not directly and strongly impact organisational survival but provides pride, prestige, and honour to the reporting companies. In this case, although such power and legitimacy attributes exist, they do not seem to lead to high degrees of urgency. In other words, the sample companies categorised His Majesty the King as a 'dominant stakeholder' that possesses the attributes of power and legitimacy, but lacks urgency.

6.3.7   *Buddhist beliefs*

6.3.7.1 Power

The manufacturing sector

From the interview data, a number of interviewees from both the energy and manufacturing sectors perceived the influence of religious beliefs and practices over their business processes. However, one of the key points that emerged during the interviews was that, over the past few decades, many CSR activities conducted by Thai business companies went unpublicised or unrecorded. This was a consequence of the Thai people's Buddhist culture and attitudes, which do not favour publicising good deeds. For example, a participant from one of the longest established

manufacturing companies explained that her organisation's culture is dominated by Buddhism, which encourages doing a lot of community activities, caring for their fellow Thais and about Thai society as a whole. In term of reporting, she further explained that her company had chosen not to have written CSR policies over the past twenty years. She said that:

> *"Buddhism encourages us to do a lot of community activities, to care for our people (such as employees, customers and suppliers).... But when it comes to disclosing or reporting, we prefer not having a written policy about it. For us, it is not a big deal! Not until recently, we find it may be a good idea to start by disclosing it (CSR activities) in our annual report together with the financial information".* (Organisation A02)

The study found that the interviewees from the manufacturing sector made a similar comment about how, in the past few decades, the sample companies had declared that they were being more open about their CSR activities and practices. An interviewee noted that:

> *"I think this practice of disclosure has now become part of our management culture. We continue to expand the scope of reporting to cover more relevant issues year by year."* (Organisation G02)

This is reflected in the fact that the Thai culture does not pressure local companies to publicise any activities, even voluntary ones that show responsibility towards local communities. This illustrates that, in Thailand, CSR activities are carried out based on a sincere mind-set called 'Tum Boon' (in Thai)—i.e., giving without expecting anything in return. Therefore, the direct pressure exerted by Buddhist beliefs has little to do with the sample companies' motivations for SER in the Thai context. This view differs from that expressed by O' Dwyer (1999, 2002), who stated that there was a lack of demand from the Irish people regarding company performance, which was most likely reflected in the absence of reporting. He asserted that "the lack of reporting may reflect an absence of any clear demand from both the financial markets via analysts and from members of the wider society, despite perceived pressure for responsible actions, given that the latter were often perceived as treating such reporting with scepticism and cynicism" (O'Dwyer, 2002:428).

6.3.7.2 Legitimacy

The energy sector

Although Thailand upholds freedom of religion, and all major religions can be found to be practiced in the country, approximately 90% of the Thai people are Buddhists. Unsurprisingly, Buddhism has deep roots and is part of the Thai lifestyle. In this study, two thirds of the organisational participants recognised that Buddhist beliefs are a unique characteristic of the Thai people and local companies. A number of interviewees from both sectors gave responses in regard to Buddhist beliefs that were similar to those pertaining to the moral legitimacy of the monarch. They identified them as one of the factors motivating their CSR practices. Traditionally, people believe that they can acquire good merit and show kindness and willingness by giving food to monks or donating money to the needy. These attitudes can be translated into the socially responsible practices of the sample organisations' CSR model. During the data collection process, these practices could be easily recognised throughout the sample organisations in the form of charitable contributions and corporate philanthropy to local communities, educational institutions, temples, or public charities. This could be easily observed in the behaviours of the sample companies in the energy sector in particular. To some extent, CSR activities can be seen in the multitude of employee or corporate voluntary initiatives. The interviews revealed that Buddhist principles drive the ways in which CSR practices are conducted. For example, some organisational participants said:

> *"I feel that our corporate culture is dominated by Buddhism. Buddhism encourages us to operate in a moral fashion, to respect and act to further the interests of others. Therefore, we are conducting business in parallel corporate social responsibility aspects . . . Every year, we take part in a lot of community and charity service activities, such as reconstructing public school buildings and providing reasonable amounts of money for student scholarships".* (Organisation F03)

> *The Buddhist principles and approach are embedded into our business practices. They encourage us to behave ethically and recognise the needs of giving and sharing without expecting anything in return".* (Organisation F04)

"We need to conform to Buddhism principles . . . by balancing the high performance with corporate social responsibility aspects." (Organisation D01)

In terms of reporting, and akin to the case of the Sufficiency Economy Philosophy discussed in the previous section, the organisational participants agreed that religious beliefs are well established and deep rooted in their corporate values and can be recognised as a fundamental motivational factor when initiating and engaging with CSR and SER practices. Buddhism wields a strong influence on the CSR concept and SER practices as it provides the foundation upon which to conduct business in a moral manner; for example, by respecting the lives of other beings. This can define responsibilities and accountabilities in conducting business. Disclosing social and environmental related information is also perceived as a good business practice to demonstrate corporate responsibility. The disclosure of social and environmental information covers not only CSR related activities but has also been expanded to a wide range of topics including employee benefits, charity service activities and environmental compliance. In this regard, SER is a device that facilitates both the delivery of social and environmental information and the decision-making process.

The manufacturing sector

From the collected data, it seems that long-established organisations have a strong sense of responsibility and are committed to give back to the local communities in which they operate; this being one of the main reasons for which they conduct CSR activities. An interviewee further explained that his organisation's culture is also dominated by Buddhism. Disclosing social and environmental related information is perceived as a good business practice to demonstrate corporate responsibility. At the same time, it is also used to maintain a public corporate image and reputation and show that the company still exists and conducts its business as usual. To some extent and in this instance, it can be considered and suggested that the sample organisation wishes to be recognised by society. It has thus adopted SER as a tool to maintain the conformity and legitimacy that it had already gained within society. A participant from the one of the oldest organisations stated:

> *"We always realised that we are a part of society and will make every effort to drive society towards a strong and sustainable prosperity".*
> (Organisation D01)

One of the key characteristics that can be found among the sample companies is that some had a very long history in doing business whereas others had just recently been established. This is reflected in their slightly differing views regarding the use of SER practices to manage corporate image and reputation. In the Thai context, the sample companies with a longer history usually have long-established organisational practices and values that are largely motivated by Buddhism. They tend to believe that their organisation is a part of society and will contribute to its sustainable progress; conversely, newly established companies disclose their social and environmental to publicise the way in which they conduct their business activities. While, in the case of the former companies, SER has been used to maintain support and demonstrate satisfactory performance in social and environmental terms, in the case of the latter, SER has been used to build up a corporate image in the societies in which they operate. This may suggest that newly formed companies use corporate disclosure approaches as a pro-active strategy aimed at enabling stakeholders to assess their operations and at gaining pragmatic legitimacy.

6.3.7.3 Urgency

The influence of Buddhist practices over business activities has existed for many decades. Even though it does not appear to be an urgent claim, it has slowly developed to a stable level. More than half of the interviewees believed that SER practices were the right thing to do and may be a good investment for the public to understand the companies' purposes.

6.3.7.4 Discussion

In Thailand, Buddhist beliefs play an important role and are deeply felt by most Thai people. Buddhism encourages people to share or give to those who are in need. Buddhism can be implied to be a 'discretionary stakeholder' that possesses moral

legitimacy to influence a company to do the right thing, but has no power and urgency to force the sample companies' actions, which are rather undertaken upon on a voluntary basis. A similar viewpoint was shared by both industrial sectors; most organisational participants felt that personal beliefs and practices were transferred into corporate CSR activities, which generally take the form of monetary donations. In term of SER, it can be seen from the empirical data that the CSR related information is communicated through company disclosures as a means of demonstrating that an organisation's actions are congruent with social symbolism; they are perceived as the right thing to do to reflect corporate responsibility and accountability in conducting business.

Besides the above discussion, CSR activities, such as financial donations or event sponsorships, can be viewed from a traditional perspective by the sample organisations, particularly those that belong to 'environmentally sensitive industries' like the energy companies. They simply consider such CSR activities as a form of philanthropic activity that benefits companies by making them easy to recognise and providing them with quick positive exposure in local communities. Most interviewees agreed that conducting and disclosing such CSR activities represents a quick and easy way to establish a positive company image and reputation with the general public.

6.3.8 *The media*

This PhD study found that the media was identified as one of the most powerful stakeholders. In fact, although they may not themselves be directly impacted by the sample companies' operations, they can effectively affect the organisations' operations. From the empirical data, the claims exerted by the media clearly motivated organisations across the two industry sectors to initiate SER practices. It can be seen that the sample companies had to focus upon and monitor the claims of the media in order to effectively respond to them. Participants from both energy and manufacturing companies shared similar viewpoints about their companies reacting with increasing degrees of social and environmental disclosure in response to the media as key stakeholders. However, the degrees of stakeholder attributes perceived

by each industrial sector were considerably different. The empirical details are discussed below:

6.3.8.1 Power

The energy sector

From the interview data, it emerges that the media's influence on the sample organisations with regard to their environmental responsibilities is associated with the occurrence of major incidents. During the interview, one interviewee gave an example regarding the event of a crisis linked to an oil spill caused by his company. He expressed that one of the early stages of his company's response took the form of disclosure. He further explained that, instead of waiting for the annual report at the end of the year, his company issued a special report to disclose all the facts relating to this incident. Providing up-to-date information related to the incident was a priority for his company, alongside the recovery process. He admitted that this special report was issued in response to inquiries and concerns received from the media in particular. This special report also enabled the media to access organisational recovery activity information. By reporting, his company could communicate its commitment and intentions to the surrounding communities and, at the same time, build confidence and reduce anxiety within them. It can be seen that these reactive strategies were used to reflect the perception of media expectations, which the company believed would wield influence over the wider public interest. An interviewee noted that:

> *"We have communicated (through website, news, local media and SER) our commitment and intention to the surrounding communities in order to build confidence and reduce anxiety among their residents. Throughout the years, we have continuously worked to restore the areas affected by the oil spill that occurred".* (Organisation B01)

Another company referred to a court suspending its business operations due to instances of malpractice. One such instance is represented by 'Chemical health hazards' cases, in which the media scrutinized environmental issues in the Map Ta Phut industrial estate.

> *"Last year, even after the emergency period had ended, we continued to focus on planning and supporting the long-term rehabilitation of the region, especially the sustainable development of the affected areas. For instance, we prepared a concrete plan, got involved with the community to get direct and regular feedback every week in order to develop and implement a plan to cover three aspects: economy, society and the environment . . . Disclosing our activities and practices via reports was definitely a good way to enhance our company image after the incident."* (Organisation D02)

Most organisational participants from these two energy companies similarly mentioned that these major incidents had been widely scrutinised by both the local and international media. In their first response, the organisations had provided the related information in an attempt to minimise any negative consequences by avoiding any misunderstandings. SER appears to represent an appropriate crisis management tactic that enables organisations to explain their viewpoints on potentially misunderstood issues.

Moreover, media exposure also raises the level of public scrutiny, which may have a direct impact on corporate image and reputation by engendering in the general public feelings of distrust towards an organisation, in that its operations and practices appear not to be consistently kept within socially acceptable limits. In other words, high levels of media exposure can significantly raise public concerns and pressure. From the interview data, it can be seen that the media play an important role in coercing corporate decisions regarding SER practices. The sample companies across the industry sectors use SER to manage their relationships with the media—their respective key stakeholders.

6.3.8.2 Legitimacy

The energy sector

The interview discussions also reflected that environmentally sensitive industrial sectors are always under the spotlight and draw media attention regarding any social and environmental issue. In a highly technological age in which information is widely

available, it is easier for the media to scrutinise social and responsibility issues. Throughout the interview process, the terms 'environmentally sensitive industries' and 'well-known environmental impact industries' were frequently used by the participants. In this regard, it can be highlighted that the more environmentally sensitive an organisation is, the greater the attention it receives from the media in general. Due to the nature of their socially and environmentally sensitive work, industries with a higher environmental impact are seen as being more high-profile. These are subjected to greater pressures than others with respect to environmental concerns and are likely to face a higher risk of being criticised in terms of corporate responsibility issues because their operations inherently harm the natural environment. During the interview process, one participant also commented:

> *"Communication technology has greatly developed . . . Criticisms by the media regarding social and environmental issues are now easily spread and exposed to society."* (Organisation F05)

Additionally, one of the interviewees noted that both the public and the media could be quickly alerted should his company reduce the scope of its social activities. The empirical data support this claim by showing that companies in environmentally sensitive industry sectors—such as oil and gas ones—have been constantly implementing higher levels of environmental disclosure in the past few years. The following quote illustrates this declarative point:

> *"As we are in the energy industry, which is very environmentally sensitive and subject to media exposure, we need to monitor our social and environmental performance to retain our image. Moreover, we need to disclose this information through various media such as websites, annual reports and corporate responsibility reports."* (Organisation D03)

The manufacturing sector

The sample companies from the manufacturing sector believed that disclosing their practices obviously had some impact on building their image in society. Thus, SER had been used for the purpose of maintaining corporate image and reputation by

showing the public that CSR related activities are being implemented. The following quote illustrates this declarative point:

> *"We believe that engaging in social and environmental activities will definitely enhance our reputation in society . . . Disclosing our activities and practices via CSR reports is considered to be a good way to definitely enhance the image of our company in the long run."* (Organisation J01)

In the Thai context, CSR activities, such as making financial donations or sponsoring events, can be viewed by organisations from a traditional perspective. They are simply viewed as a form of philanthropic activity that benefits a company by making it easy to recognise and giving it positive exposure in their communities. Most interviewees agreed that publishing and disclosing these CSR activities is an easy way to help make their companies well-known, including the establishment of positive images and reputations in local communities. Such positive images also increase and bring attention from people who may not have known of or been aware of these companies. This illustrates how companies can reap great benefits through image and reputation building by giving back to their communities in the form of monetary donations. In terms of SER, the documentary evidence shows that a company that has established a good reputation for giving back to its communities gives out a positive message. This may imply that SER has been used as a communication tool to manage public corporate image and reputation.

6.3.8.3 Urgency

From the collected data, the sector leaders in both industries are the key players that are likely to be the first to start adopting SER practices by disclosing information that is sensitive to society. For them, the media are crucial stakeholders for an organisation's survival because they can damage both corporate image and reputation if they are associated with negative social and environmental issues. In this regard, the organisational participants expressed the need to protect their past accomplishments and prevent any potential challenges by disclosing the related information. The media's influence also leads to the organisations' attributing a high degree of

importance to them in terms of the time-sensitive and critical aspect of providing immediate responses. Even though previous studies (Clarkson, 1995, Islam and Deegan, 2008) considered the media as a secondary stakeholder group, the urgency associated with them is rated to be as high as that attributed to governments or shareholders, who were perceived as primary stakeholders by the interviewees. One organisational participant mentioned:

> *"We aim at creating a positive image of our company by restoring the confidence levels we enjoyed before the incident through cooperation with media agencies . . . Apart from that, we have shared essential knowledge to effectively improve the ability of the operators and support the development of both directly and indirectly affected local communities, such as in the clean-up campaign".* (Organisation B01)

The media therefore need to be managed to ensure their continued support. However, the empirical evidence shows that the sample companies are likely to disclose general positive information, rather than specific details, regarding social and environmental related issues. This may suggest that, to some extent, the sample organisations disclose their CSR information in symbolic form to conform to media scrutiny and somehow draw public attention away from emerging sensitive issues.

6.3.8.4 Discussion

One of the key motivational factors that emerged during the interviews and also reflected high levels of urgency was the response to media exposure. For example, in the case of major incidents, to counter the general public's misperception of organisational activities or of the accounts of the problems caused by an organisation. It can be argued that most such circumstances directly impact upon corporate image and reputation. The sample organisations must therefore immediately pay attention to and respond to media exposure. Thus, SER has been used for the purpose of responding to an unforeseen and immediate crisis and attempting to counter the threat.

In addition, this PhD study found that the media has been recognised as having high salience, thus being classified as a 'definite stakeholder'. Therefore, stakeholder groups that are perceived as being of little salience by the sample companies—such as

the local communities—often rely on the media if they need to get the immediate attention of the sample companies. While direct local community claims seem to be ignored by the sample companies, claims made by or through the media tend to get the interest of both the sample companies and the general public. One example of this can be seen in the cases of industrial waste river contaminations in the Chao-Phraya River, in the capital city of Bangkok, and in the Bangpakong River, Pranchinburi Province. As a result, in the early stages company responsibility can be seen to take the form of disclosures aimed at declaring the problem or issue of concern in an attempt to minimise any negative consequences (Ashforth and Gibbs, 1990). SER has been used for purposes of corporate image and reputation damage control in terms of offering accounts of and showing the public what recovery activities are being implemented.

6.4 Stakeholders that have a major influence on the Energy sector but not on the Manufacturing one

This section presents those stakeholders that have a major influence on the energy sector in particular. From the empirical data, the regulatory authorities have been frequently referred to and recognised by sample companies from the energy sector as one of the most important stakeholders behind their initiation of SER. This was possibly due to the nature of their business operations, which have to comply with specific regulatory bodies, such as the Energy Regulatory Commission. This kind of specific regulatory system seems to be less strict or lacking in the case of the manufacturing sector companies.

The local communities make up another stakeholder group that has been highlighted by a number of sample companies in regard to their motivational factors underpinning SER. From the energy sector perspective, again, this was possibly due to the nature of its business operations, which, being more environmentally sensitive, potentially have higher impacts on the local communities in which it operates. They admitted that they have to largely depend on the support of local communities in order to continue their business operations. In this regard, a similar comment also shared by one of the

interviewees from the manufacturing sector; however, it appeared in a very limited fashion. That interviewee said:

> "I believed that business cannot succeed in a society that fails. Therefore, we recognised the importance to helping the society and community development by lending supports through CSR projects." (Organisation A03)

Due to the limited response, on this aspect, from the interviewees from the manufacturing sector, this section will exclusively focus on the influence of regulatory authorities and local communities from the energy sector perspective.

6.4.1 *Regulatory Authorities*

6.4.1.1 Power

The study found that, in Thailand, most domestic organisations in the utilities and infrastructure industries, such as the energy ones, are large capital companies. Only a few key powerful players are included within the industry due to the high entry barriers due to the high implementation costs and restrictive regulations. Energy companies are one of the main stimulators of the Thai economy and are substantial providers for the fundamental economic infrastructure. Some of them are even State-Owned Enterprises (SOEs), over which the regulatory authority has significant control through its majority ownership. Most of the sample energy sector companies in this study are in the oil and gas industry and represent a substantial part of Thailand's GDP and market capitalisation. They are listed in the top 50 companies in the Stock Exchange of Thailand in terms of market capitalisation.

In this PhD study, the recognition and perception of the regulatory authorities' power can easily be observed in State-Owned Enterprises (SOEs). The interviewees from organisations C and F, who represent listed SOEs, recognised the regulatory authorities to be one of their most powerful stakeholders; therefore, the ways in which they deal with their requirements can be easily seen in their business activities and

decision making processes. The impression conveyed by the Organisation C participant during the interview seemed to emphasise that his organisation faced some distinct governance challenges derived from its politically motivated ownership. He revealed that the regulatory authority exercises its ownership through various laws and regulations—such as the Law on State Enterprise Establishment, the Act on Standards Qualifications for Directors and Employees of State Enterprises, and the Regulation on State Enterprise Investment Policy. He also mentioned a number of industry-specific laws and regulations, including energy industrial standards set by the Energy Regulatory Commission for control purposes. These encompass production restrictions or terminations, waste management, penalties for noncompliance with environmental legislation, and costs for cleaning up polluted sites. The interviewees also highlighted that the high pressure exerted by the regulatory authorities had the ability to influence his organisation by imposing further good business practices to enhance social welfare, such as, for example, public hearings and assessments. During the interview, he pointed out:

> *"Without a doubt . . . our business is an energy industry that has many well-known environmental impacts. Therefore, we must comply with laws and regulations . . . I mean that a company has to meet at least all the required laws and regulations standards. Especially, we are a state-owned enterprise under the supervision of the regulatory agency therefore we should do more than that by conducting business adhering to an ethical framework".* (Organisation C02)

From the above discussion, there is a sense that SOEs are seen to perceive higher levels of regulatory authority pressure regarding their corporate responsibilities. It is not only in the regulatory authorities' but also in the public's interest that concerns regarding SOEs are professionally run. More specifically, within sensitive environmental industries like oil and gas, this could be due to this industry's nature, as it is usually involved in transforming natural resources into primary products. Therefore, there is a high risk associated with company activities, which may result in directly damaging the natural environment and become hazardous to public health. This has caused them to be subjected to greater pressures than others with respect to environmental concerns; they are likely to face a higher risk of being criticised in terms of corporate responsibility issues because their operations are inherently harmful for the natural environment.

In addition, the evidence from the empirical findings shows that many of the CSR projects run by these sample companies are also influenced and supervised by the regulatory authorities. Collaboration with the state in the area of CSR takes place in order to promote socially responsible enterprise. For example, an interviewee explained that his company develops the infrastructure—e.g., water supply—in those areas in which they establish their factory units. He noted that, before them, no clean water was available in those areas. The local villages had to use water from natural sources, such as reservoirs, rivers, or wells. When the company decides to establish a manufacturing plant, it is required to provide access to water for public utility purposes, besides its own. This proved to benefit the living standards of the nearby villages, which are in remote areas as a whole. At the same time, this showed that regulatory authorities have strong influence over the SOEs operations and activities, as these companies partially rely on government funding. An interviewee stated:

> *"As a listed state-owned enterprise, our CSR activities must be updated in line with governmental policies, at the same time, they must be updated in line with economic and social situations".* (Organisation C02)

The responses collected from another organisational participant from a listed company also reflect this point. She stressed that many of the power plants or power stations are surrounded by local communities. In remote areas, it is sometimes difficult to access medical supplies, thus, in order to run its operations successfully by showing awareness of the health concerns of the local community, her company was directed by the regulatory authorities to support community health by opening clinics in their operational areas to enable both employees and local residents to receive free check-ups and treatment. An organisational participant said:

> *"I was delighted to see that we are committed to be involved in the development of health care system of local communities through our clinic. Our mobile clinic project supervised by the regulatory body recently began operations to provide aid and essential medical support for nearby communities."* (Organisation B01)

In terms of SER practices, the interviewees perceived that in order for the government to carry out its ownership responsibilities, it needs to manage their operation to undertake obligations to disclose the essential information to the general public. Publishing CSR activities such as provide the medical support to both employees and local communities is an easy way to help promote an organization, including the establishment of a positive image and reputation with its stakeholders. The interviewee from Organisation F highlighted that his company experiences more pressure from the regulatory authorities, who are also the major shareholders, to initiate social and environmental reporting. At the same time, the regulatory authorities encourage SOEs to be role models by reporting information covering their social and environmental responsibilities such as CSR activities. He noted that his organisation was one of the earliest reporting domestic organisations in Thailand. This aspect may imply that the sample company recognised the high degree of power of the regulatory authorities' concern. However, the documentary evidence shows that the report published by the organisation is seen as a response aimed at meeting regulatory authorities requirements. It basically communicates positive messages to ensure continued governmental support. The above illustrates that SER is employed by the organisation to manage its relationship with its powerful stakeholder—the regulatory authorities—to show that it is conforming to their requirements.

6.4.1.2 Legitimacy

To coordinate the development of the economy, society, and the environment, most of the sample companies establish their plants in industrial zones which the regulatory authorities had developed with the aim of supporting an industrial base for both domestic and international companies. These industrial zones offer infrastructural and logistical advantages, such as electrical power, water supply, transportation, communication, and waste treatment. Some of the infrastructural expenses are tax-deductible. To promote and improve social and environmental responsibility within the industrial estates, additional support (in term of subsidies) is available for those companies that participate in CSR or local community programmes. One of the interviewees commented that:

> *"Even though we are a domestic company, promoted projects located in industrial zones can provide better incentives than those located in the Bangkok area."* (Organisation D03)

These estates are administered by a division of the Ministry of Industry in a strategic industrialisation plan designed to favourably position Thailand with respect to its Southeast Asian competitors. For example, the plan provides for corporate tax exceptions, and the exemption from or reduction of import duties on machinery and materials.

Further, the interviewees revealed that they had incorporated the regulatory authorities into its decision-making processes, including SER. They admitted that they used SER to helps maintain a relationship with the authorities, which enabled their organisations to reflect their commitment to them. The empirical data illustrated that the sample organisations used SER as a communication tool to disclose their social and environmental performance information to demonstrate that their activities were perceived to be socially and environmentally responsible.

6.4.1.3 Urgency

The sample companies in the energy sector—and especially the SOEs—perceive the regulatory authorities' claims as critical and requiring immediate responses due to their high degrees of legitimacy and power (Mitchell et al., 1997). They have to comply with laws and regulations in order to avoid penalty and punishment, particularly because they have to act as role models for other organisations. From the above discussion, it can be suggested that the regulatory authorities can be recognised as 'definite stakeholders' with high degrees of all three stakeholder attributes of power, legitimacy, and urgency.

> *"Without a doubt . . . our business is an energy industry that has many well-known environmental impacts. Therefore, we must comply with laws and regulations. It is our first priority"* (Organisation C02).

The interviewee's quote highlights the importance of regulatory authority claims and indicates that compliance with such claims is a primary priority. It can be suggested

that these stakeholders' claims are perceived as critical by the sample company and worthy of immediate attention.

6.4.1.4 Discussion

In Thailand, the government has established a number of regulatory authorities to supervise and monitor social and environmental concerns. These bodies were established with particular reference to sensitive industries such as the energy one. An example of one such authority is the Energy Regulatory Commission, a regulatory agency that ensures the transparent operation of the energy industry by enacting a number of industry-specific regulations. The companies operating within this sector are therefore seen to be particularly subject to pressure from their specific regulators because they are directly monitored by them.

In fact, most organisations in this industry are controlled by large powerful players and tend to be state-owned. It is therefore not difficult to understand that the regulatory authorities are their primary stakeholders. There are a number of industry-specific laws and regulations, including industrial standards set by the regulatory authorities for controlling purposes. These include rules pertaining to production restrictions or terminations, waste management, penalties for noncompliance with environmental legislation, and costs for cleaning up polluted sites. The sample companies within this sector are therefore more likely to face political pressure from the regulatory authorities, which possess the attributes of power, legitimacy, and urgency. They also recognise them as one of the 'definite stakeholders', as the media, government bodies, and lenders. In terms of SER practices, these companies are more likely to experience pressure to adopt CSR activities and to take the initiative in disclosing the related information via SER, especially in regard to environmental related issues.

6.4.2 *Local Communities*

6.4.2.1 Power

During the interview, the local communities were often mentioned by the interviewees when discussing their business operations and CSR activities. However, the study found that the degrees of perception of local communities differed for each organisation. It can be argued that the sample companies in environmentally sensitive industries, which depend largely upon the support of local communities, would need to keep the claims of local communities in high regard to ensure their continued operations. However, in practice, the pressure of local communities towards the production of SER seem to be lacking, as perceived by the interviewee, and is recognised in the form of the attribute of legitimacy instead.

6.4.2.2 Legitimacy

The empirical data shows that the sample companies collaborate with local communities in developing their CSR activities. They create awareness within local communities in which they operate to help protect the environment or contain their environmental impact. This demonstrates how their CSR activities are embedded and established in social values. The sample companies show concern about the outcomes of their activities, rather than limiting themselves to merely meet the instrumental demands of their key stakeholders. As quoted by two organisational participants:

> *"Due to a number of our facilities being located throughout the country . . . wherever we go, we need to think about the local communities. I take the view that it is extremely important to gain the communities' approval in order to carry out business activities . . . Therefore, we maintain a strict Policy of preserving the environment within our factories and also in the nearby communities".* (Organisation F03)

> *"We not only care toward ourselves, we have expanded development toward students, university students and local communities nearby our plants."* (Organisation H01)

In this study, CSR activities that involve communities were commonly published throughout organisational communication channels, including SER; for example, big clean-up days in manufacturing plants and their nearby local communities, the planting of trees to establish more green spaces, the granting of scholarships and provision of teaching equipment to local schools, and the building of local roads and facilities. Most organisational participants, especially those from environmental sensitive industries, believed that contributing to local communities would help them earn the latter's support and secure their approval with regard to organisational business activities. An interviewee said:

> *"I do think that enhancing positive communications with our local communities seems to be a key area upon which we need to focus as we are trying to maintain a good relationship with our surrounding communities, to understand their expectations, and to be good neighbours".* (Organisation D02)

Despite the discussion above, another key theme found during the data collection process was that, although local communities are taken into account in conducting CSR activities, when it comes to making decisions on publishing SERs, they seem to be ignored by the sample companies. Although the activities that involve the local communities are disclosed within the reports; these play only a minor part in the reasons behind the choice of adopting SER practices. In other words, the majority of sample companies showed a very limited perception of the local communities when talking about the motivations behind their SER practices. In this case, it can be argued that each individual stakeholder group also possesses varying degrees of interesting issues. Therefore, it is important for the disclosing companies to decide to whom and what to disclose in order to manage and communicate with their stakeholders. Accordingly, Cormier et al. (2004) found that companies have varying degrees of perception towards the value of stakeholder groups depending on their management's responsibility and the issues facing them. Their findings indicate that the management's perception of stakeholder concerns helps to shape a company in terms of the type and the amount of disclosures to be made.

6.4.2.3 Urgency

In practice, local communities have to seek the support of or depend upon other stakeholder groups to get the organisational attention needed to get their claims addressed. One such instance is represented by the sample company from the energy sector involved in the case of the industrial waste contamination of the Bang Pakong River, in Thailand's Eastern Seaboard region, which caused serious health issues to the local communities. Initially, this problem had largely been ignored by the company responsible; all this changed when the local communities brought the situation to the attention of the media agencies. Once these started to expose the issue, the general public became interested and paid attention, instigating an investigation from the government authorities. Thus, the company's responsibilities and efforts in terms of a recovery plan were leveraged. This corresponded to what Mitchell et al. (1997) had illustrated in the case of the Exxon Valdez oil spill; the local Alaskan residents had to seek the support of the local government authorities' to raise the issue affecting their local community and act on their behalf.

6.4.2.4 Discussion

The review of the collected data found a large proportion of pictures and diagrams related to local community themes in both the annual and sustainability reports throughout the period under study. In this PhD study, the recognition of the importance of local communities can be more easily found in the energy sector rather than in the manufacturing one; this may be due to the nature of the former's business operations, which are more dependent on their support. Even though most CSR activities reported involve local communities, the latter's value seems to be lacking in the perceptions of organisational participants, as expressed in their responses to the question concerning the reasons behind the initiation of SER practices. In practice, the local communities' influence is raised when it is associated with that of media agencies or government authorities. Communities can successfully leverage their claims through these particular stakeholders, which hold sufficient power to compel or pressure organisations. In this case, it can be argued that local communities are

perceived as being legitimate, but devoid of power and urgency. They can thus be categorised as 'discretionary stakeholders'.

6.5 Stakeholders that have a major influence on the Manufacturing sector but not on the Energy one

There are empirical insights that show how the overall social contracts faced the two industry sectors in this study, based upon their peculiarities, are likely to be of a different scope and nature. For example: the energy sector perception of the concept of their customer group is likely to refer to business customers, rather than to end ones. It can be suggested that, due to the nature of the business of such industry, more than half of the sample companies can be considered to provide raw materials to other business customers, rather than manufacture finished goods for end customers. This is the case, for instance, of oil and gas, petro–chemical, and electricity generating companies. As there are few suppliers that dominate the market, the degree of competition between them is relatively low. In this study, the sample organisations represent the big players in the energy sector, in terms of their large volume of business transactions and market shares. They appear to ignore the customers' demands and try to discount any emerging challenges. Therefore, stakeholder influence is not likely derived from the business or industrial customers in their supply chain. Within the energy sector, customers are likely to have relatively little power, legitimacy, and urgency; the opposite is likely to be the case for manufacturing companies.

From the above discussion, this section therefore focusses on those stakeholders that have attributes of power, legitimacy and/or urgency in motivating SER with regard to the manufacturing sector (unlike section 6.4). The stakeholders who specifically have a major influence on manufacturing sector include customers, parent companies, and the ASEAN Economic Community. This will be *discussed* in more *detail below*.

6.5.1 *Business Customers*

6.5.1.1 Power

A number of interviewees revealed that their industrial customers call for additional social and environmental information in their annual reports when going through their supplier assessment processes. As a result, they encourage and expect the sample companies to provide social and environmental documentation. Several comments were made in regard to these issues, for example:

> *"We consider providing additional (social and environmental) information to precisely address in-depth customer needs an essential factor in winning a good customer relationship".* (Organisation I03)

> *"We are committed to managing sustainability within our organisation to meet and respond to our business partners' needs."*
> (Organisation A03)

From the above discussion, it can be suggested that the sample companies need to provide not only financial but also accurate social and environmental information to meet customer expectations. SER has been used to provide additional company policies and procedures regarding social and environmental concerns to draw in potential business customers by promoting a company image that shows considerable concern with society and the environment. To some extent, SER has also been used to promote new product development or product innovation to offer a particular value. In this case, it is reasonable to assume that an organisation may use SER to seek to win contracts.

6.5.1.2 Legitimacy

Besides business customers, end customers were also often referred to by the organisational participants. However, the end customers' influence upon SER practices seems to be lacking in the organisational participants' perceptions, possibly due to the nature of their customers' needs. The organisational participants further explained that customer demands for necessary documents like nutritional

information, health and safety issues, and complaints about products and services are relatively low in the Thai context compared to those found in the USA and in European and other developed countries.

However, the organisational participants emphasised alternative ways in which to demonstrate their responsibilities to their end customers; these included offering quality products at reasonable prices, running customer satisfaction surveys, operating customer hotlines to receive feedback on any issues or suggestions regarding their products or services, and engaging with customers via their websites or social media channels. One organisational participant noted:

> *"The customer's voice is also considered to be an essential factor by us . . . We annually conduct customer satisfaction surveys to measure expectation and satisfaction levels as well as to review their opinions, interests and expectations through visits to our website".* (Organisation J02)

An interviewee from a building material company revealed that his company seemed to have undertaken a responsibility towards its customers in terms of the quality of its products or services. He noted:

> *"We care about our customers . . . we promise to provide them with a good quality product at a reasonable price . . . So far, we have not really been subjected to any pressure or received any complaints from them in the past few years".* (Organisation A01)

In addition, the interviewee from a plastic packaging manufacturer noted that her company engaged with its end customers via its website and social media such as Facebook. She suggested that this was a direct way in which her organisation could perceive stakeholder expectations and needs in order to integrate them into its decision making processes. In term of SER practices, the stakeholder engagement process helps an organisation decide what information it is more essential to disclose in its report. It enables the social and environmental report to be more effective in providing the information that will satisfy the target stakeholders' information needs at any particular point.

6.5.1.3 Urgency

In the Thai context, however, any strong pressure from 'end-customers' is experienced in a very limited fashion. In this study, even though the end customers were acknowledged, their pressure towards the engagement in SER practices cannot be assumed. It can be implied that 'end customers' have little to do with the motivational factors towards the undertaking of SER practices. Therefore, when taking into account their reasons for the adoption of SER practices, a number of the organisational participants seemed to view business customers or trading partners as more relevant factors. In this case, the adoption of SER practices could be used to pursue their continued support, as it greatly focusses on economic concerns. The interviewees' prompt responses on the subject also reflected how critical these factors were perceived to be by the sample organisations.

6.5.1.4 Discussion

The acknowledgement of end customers by many organisational participants in their discussion of the motivational factors behind the initiation of SER seemed to be limited. Their stakeholder salience seemed to be absent in the perceptions of the sample organisations. Conversely, it could be suggested that the sample companies from the manufacturing sector regard their business customers and/or trading partner as 'definite stakeholders' with attributes of power, legitimacy, and urgency towards their operations. The sample organisations had to deal with them to win new contracts or gain continued support, which had a certain influence on their survival. They were concerned about their business customers' demands pertaining to their business operations, including SER reporting practices.

6.5.2 *Parent Companies*

6.5.2.1 Power

An interviewee from Organisation G explained that the management team from its parent company encouraged his organisation to consider and be aware of social and

environmental issues through an internal education and training programme. In practice, parent companies encourage subsidiaries to start engaging with CSR activities aimed towards the local communities that are located close to where they operate. An interviewee noted:

> *"The parent company provides instruction, consultation and follow up to help us (the subsidiary) gain expertise in environmentally friendly practices, including the production of SER, to lead to our own operational development and procedure".* (Organisation G02)

In terms of SER practices, one interviewee from Organisation E informed that, as a subsidiary, his organisation was not directly obligated to practice SER by its parent company, but that it was rather left to the subsidiary's own discretion. However, the documentary evidence shows that the subsidiaries' policies generally seem to follow those of their parent companies. This suggests that, although they are independent in their business operations, the survival of the subsidiaries still largely depends on the parent companies' support. One of the first time reporters highlighted the efforts made to disclose social and environmental related information:

> *"For the past couple years, the parent company has always been encouraging us to report our detailed information in our own report. We are very excited to say that this is the first year in which we have published our own sustainability report. Normally, we just sent our social and environmental performance and related information, including health and safety and environmental issues, to our parent company on a quarterly basis so it could disclose it in its report . . . However, our parent company still evaluates our (sustainability) report and comments on the issues that are important to the organisation."* (Organisation E01)

The above quote demonstrated that the sample companies are showing concern to meet the requirements of their stakeholders—and those of their parent companies in particular. The utilitarian power exerted by the parent companies clearly motivates organisations to initiate SER practices. In this case, SER is used to respond to and address any expression of concern put forward by particular key stakeholders.

6.5.2.2 Legitimacy

To ensure the parent companies' continued acceptance and meet their expectations, local subsidiaries need to maintain their legitimacy by following the former's practices, including the adoption of SER. Thus, the adoption of SER helps develop 'exchange legitimacy' with the parent companies. Two interviewees clearly stated that their parent companies were accountable to their shareholders, which they valued as being legitimate stakeholders that had close relationships with the companies. As mentioned earlier, although they were independent in their business decisions, the subsidiaries still largely followed their parent companies' rules of practice. It can be suggested that parent companies influence their subsidiaries' operations and decision making processes.

> *"We follow our parent company's environment, health and safety standards. You know, although independent in our operation, we have a great dependency on our parent company for its support. Sometimes we do it through consultation."* (Organisation G01)

This shows how the sample companies needed to satisfy their parent companies' expectations in order to manage their relationships with them. The sample companies tended to classify their stakeholder groups based upon how essential they considered them to be for their organisational operations. It can be implied that the subsidiaries are adopting SER practices in order to meet the parent companies' expectations, besides pursuing pragmatic legitimacy.

6.5.2.3 Urgency

The interviewees emphasised that the initiation of SER required both human and capital resources and much effort. Therefore, they were in no rush to do so, but instead had taken time to study their parent companies' implementation and had disclosed their information within the parent companies' reports before introducing their own very first report in recent years. This approach reflected the parent companies' influence on the ways in which the interviewees recognised stakeholder

interest in terms of SER practices; it can be suggested that, although both their claims were perceived to be relevant and requiring attention, in terms of their time sensitivity, they did not really generate the levels of urgency that would have required 'immediate' responses. Their claims were not as urgent as those presented by laws and regulations and/or financial institutions, which required immediate attention.

6.5.2.4 Discussion

In this study, the empirical data highlighted the relationship between parent companies and their subsidiaries. It can thus be recognised that there is an overlap between the utilitarian power and pragmatic legitimacy emanating from the parent companies. During the interview process, the parent companies were mentioned as one of the motivating factors towards the subsidiaries' decisions to undertake SER even though, in practice, parent companies seem to leave all related decisions to their sample subsidiaries as a function of their readiness and resources. The parent companies seem to take on the role of advisors, rather than that of controllers.

This does not exactly reflect similar insights found in previous studies from developing countries (Momin, 2006; Islam and Deegan, 2008), according to which the subsidiaries needed to be responsive to their most important stakeholders—their parent companies—that were multinational corporations located in developed countries. Moreover, the subsidiaries needed to respond to the expectations of international consortiums, such as consumer groups or multinational buying companies, which were essential to the survival of their operations. In the Thai context, the study found that the sample companies were driven by their domestic parent companies, which were 'definite stakeholders' with regard to SER.

6.5.3   *The Approaching ASEAN Economic Community*

The primary goal of the ASEAN Socio-Cultural Community (ASCC) Blueprint is:

"To contribute to realising a people-centred and socially responsible ASEAN Community by forging a common identity and building a caring and sharing society" (ASCC, 2012).

In order to respond and follow up within the perspective of the ASEAN integration plan, it becomes clear that ASEAN governments also need to develop public policies or legal instruments aimed at promoting CSR and sustainability within their own countries. On the other hand, most private companies were aware of the forthcoming ASEAN Economic Community (AEC) integration, scheduled for 2015, and supported the idea of a single market. However, while recognising the reality of an open ASEAN marketplace, more than half of the organisational participants emphasised that competition in the region would become more intense because of new international players. They believed that local Thai companies should develop a certain level of flexibility and agility to anticipate and respond to change.

6.5.3.1 Power

The power of the ASEAN Economic Community (AEC) integration can be easily seen in the form of government bodies. In Thailand, to be more proactive with respect to the ASEAN Economy Community (AEC), preparations were made by implementing the Eleventh National Economic and Social Development Plan B.E. 2555 – 2559 (A.D. 2012 – 2016) in the form of government policies and administrative and operational plans. From the documents analysis, significant changes in the national development plan were enacted into government policies, laws, and regulations.

The Thai government began to put in place laws, regulations, and guidelines aimed at directing public and private companies to ensure that they were addressing social concerns to achieve sustainable economic growth and to ensure that they were well-prepared for the AEC's approach (NESDB, 2012). For example, by establishing a minimum daily wage policy. In term of SER related policies, these were still on a voluntary basis. In this case, it can be implied that the pressure from the approaching AEC did not directly impact the adoption of SER, as perceived by the majority of the

interviewees. While the power attribute of the AEC seemed to be lacking, the degree of its legitimacy attribute could be largely perceived throughout the interview process. This will be discussed in detail below.

6.5.3.2 Legitimacy

a. Adaptive change challenge

In respond to the AEC integration, the sample companies indicated that they had needed to take the steps necessary to strengthen their core business processes and business outlook. These included acquiring good communication skills and adopting international standards in their business practices. They believed that this would benefit and prepare local Thai companies to enter the new market and explore business opportunities in neighbouring countries. One interviewee offered this viewpoint:

> *"Looking into the future, towards the approaching AEC in 2015, the movement of workforce and capital will become easier. Therefore, it is important for us to do something to adapt ourselves to this change . . . For the past decade, we have been learning about the advantages of accepted practices, such as CSR activities and SER publication . . . SER is an internationally accepted practice; I don't understand why we are not doing it. With regard to AEC integration, I think it would be a good opportunity for us to incorporate this approach into our business operations to demonstrate that we are committed to be involved in the development of the ASEAN community".* (Organisation E01)

The above quotation illustrates that the ASEAN Economic Community integration had significantly impacted the sample organisation in the publication of SERs. Although it is true that sample companies could have faced increased competition once the AEC had gone into effect, at the same time, they perceived this as a great opportunity for the development of new corporate practices, such as reporting. It can be seen that not only did the AEC have an economic impact on businesses in terms of finance and investment flows, but also on raising corporate responsibility concerns within the business sector. In other words, the ASEAN community expected and encouraged organisations to enhance their corporate responsibility. The interviewee further suggested that it would be a good opportunity to let the rest of the world know

that Thai companies are very caring and considerate about working conditions, child labour, and occupational health and safety, which used to be major issues in this region. SERs could be used as a means to reflect conflicts, especially those occurring around social issues, within the context of Thailand and of the other ASEAN countries.

b. Maintaining a good business relationship

Further to the previous subsection, the undertaking of SER practices was likely to be related to trying to maintain good relationships with business partners, local communities, and the general public within the ASEAN context. During the interview, a sample company who had been conducting business in the ASEAN region for a decade recognised that it needed to inform its stakeholders that it was carrying on doing business as usual, using disclosure as evidence of its performance. Although it had expanded its operations into this region over the past ten years, it could continue to disclose its activities in every ASEAN country where it operated as a maintenance strategy. As sample companies were aware that the AEC integration approaching in 2015 would increase market competition, they needed to maintain their connections with their existing stakeholders by carrying out business activities and operations that would continue to meet their stakeholders' expectations. They would seek to protect the legitimacy they had already gained. Sample companies were likely to disclose their related information in an attempt to maintain the view that they were considerably socially and environmentally concerned, in line with global expectations. Organisations had to ensure that they operated within socially acceptable limits. An organisational participant pointed out this issue during the interview:

> *"As we venture more into the ASEAN region, we are implementing a scholarship program for a number of underprivileged children in the countries in which we operate. This is an important part of our policy . . . However, doing CSR alone is not enough, we have to let them [host countries governments, local communities] know how we, as a Thai company, can be a good citizen of Indonesia".* (Organisation G02)

The interviewee further illustrated that his company wished to be recognised and become well known within ASEAN countries. At the same time, companies were using SERs to get the attention of people who may not have been aware of them.

In terms of the approaching AEC, a number of the interviewees suggested that it would require changes in rules, regulations and detailed processes between country members, particularly in terms of customs policies and tax incentives. However, at this very early stage, they also believed that a more in-depth AEC integration would be required in order to fully realise its benefits. The interviewee from Organisation J suggested that, although the ASEAN market would allow the free flow of capital, goods, and labour, its roadmap did not include specific social and environmental reporting regulations; therefore, each country was either setting up its own policies or leaving it on a voluntary basis. He believed that, should the AEC have adopted normalised reporting regulations and standardisation, it would enable the companies within this region to have the same set of operational standards. However, most sample companies perceived the AEC as a business opportunity, rather than as a threat.

c. Strategic international expansion plans

As the ASEAN region has become a single market and production base for goods and services, the business sector, including the participant companies, can be seen to benefit from this integration. During the interviews, some sample companies expressed their willingness to expand their operations into this region, while others already conducted their operations in this market. However, they all emphasised capacity in terms of competitiveness as being essential. An interviewee who had only recently initiated a joint venture with a Japanese business partner to expand its manufacturing bases to ASEAN countries, perceived the explicit expectations of foreign trade partners, especially those from Japan, the USA and Europe, in terms of how her organisation should conduct its operations. She pointed out that the potential partners hold a very strong sense of social and environmental concern, especially in the area of human rights related issues. Many of them are using these criteria in their supplier selection process (Unerman et al., 2007). To a certain extent, the sample companies should ensure that their activities are perceived to be 'legitimate'. The

interviewee strongly believed that a company with good corporate practices will be more likely to become attractive to international investors after the establishment of ASEAN in 2015. Therefore, Thai companies should use SER practices to position themselves within both the domestic and global markets, improving their competitive advantages in order to establish themselves on the international stage. An interviewee emphasised this point:

> *"In the beginning, the company's intention to do (reporting) was not serious because it was based upon a voluntary basis. If we were not expanding into the ASEAN community, our reporting may be non-existent or may remain in its infancy. We want to be in that market, therefore we have to do something [SER practices]. We have to communicate with potential clients".* (Organisation A03)

The quote suggests that SERs were considered to be part of strategic international expansion plans to attract and draw the interest of potential trade partners. The adoption of SER practices seemed to be one of the tools that the sample organisations believed could increase their competitiveness. A similar response was also given by another organisational participant:

> *"We have a firm belief in the potential of the ASEAN Economic Community (AEC). By 2015, we want to see ourselves in the regional market; we have made preparations, through our CSR activities and reporting practices, which are in line with the promotion of a sustainable development concept".* (Organisation J02)

6.5.3.3 Urgency

Although the importance of the approaching AEC heightened the organisational participants' attention towards the adoption of SER practices, in reality, the latter revealed that they actually needed more time to implement them. In order to bring about the substantive changes needed to enact and embed social and environmental responsibilities into organisational operations and activities, the organisational participants asserted that the whole organisation had to be involved, from the top management to the operational level. In practice, more time was needed for the importance of social and environmental responsibilities to be recognised and understood by the organisational members. Moreover, significant changes in

corporate practices, such as those linked to SER, take time to implement, as they require human resources, management costs and the collection of data from the various departments within an organisation. Half of the organisational participants acknowledged that SER practices were taking time to develop and were still in their early stages.

> *"We have made preparations by means of an approach that is committed to conducting and expanding business in parallel with promoting sustainable progress for ASEAN. In this initial stage, all we aim at doing is raising awareness and encouraging our own people to embrace the sustainable development approach in their day-to-day operations".* (Organisation I04)

6.5.3.4 Discussion

In the Thai context, the impact of the approaching AEC could be easily found in the context of the manufacturing industry sector. This may have derived from the nature of its business operations, which is labour intensive. Having taken the free movement of workforce into account, the manufacturing sector seemed to be directly affected by this concern rather than the energy one, which is the capital intensive and has high entry barriers.

It was generally found that, to prepare themselves for the approaching AEC by demonstrating their adoption of social and environmental responsibilities, the sample companies had increased their disclosure of information pertaining to corporate social and environmental activities and policies. The key topics disclosed in the reports, perceived by several organisational participants as being critical within this region, were employee related, such as benefits, health and safety, human rights, and child labour. However, in recent years, the report's contents had been widely extended to environmental issues, possibly due to the climate change related natural disasters that had been regularly occurring within the ASEAN region (see section 5.5). Recently, in the case of the terrible flooding that hit Thailand in 2011, more than half of the organisational participants revealed that the natural disaster's impacts were not only measured in terms of loss of life but also of significant economic losses. While one

sample organisation was directly impacted in terms of business disruption, as the widespread floods had totally damaged its manufacturing plant, forcing it to be shut down, more than half of the remaining organisational participants had faced indirect impacts in terms of supply chain disruptions. In this regard, SER had been used as a tool to facilitate both the delivery of social and environmental information, and the decision-making process. Communication by means of social and environmental reporting not only demonstrates that an organisation's actions are congruent with global values but also reflects that it appears to act in a more accountable manner. In this case, it can be suggested that the ASEAN Economic Community is recognised as a 'dependent stakeholder' that has legitimacy and urgency, but lacks the power to directly pressure the sample companies.

6.5.4 *Employees*

In developed countries, employees are considered to be one of the most importance audiences and stakeholders perceived by corporate management (Spence, 2009). This finding is consistent with the claim made by Gray et al. (1987), who affirmed that "there is of course also a strong moral case to be made out for treating employees as primary stakeholders in that they are undoubtedly the people most immediately affected by corporate decisions, not only in the workplace but also as members of the community within which the firm operates". The research, which focussed upon developed countries (Huang & Kung, 2010: KPMG, 2011), recognised the power wielded by employees and trade unions and their ability to influence corporate accounting and accountability practices. The companies have been demonstrating their responsibilities towards their employees thorough their SER reports by providing information related to employment practices; for instance, information on the numbers employed, equality and diversity, wages and benefits, education and training programmes, health and safety conditions, and so on.

In the Thai context, it can be noticed that, before the development of the ASEAN Economic Community approach, employee expertise was largely ignored by organisational participants. The roles played by employees and trade unions was not

very strong compare to those found in developed countries such as European ones (Gray et al., 1996). Compared to that wielded by other stakeholder groups, employee influence on SER practices in the Thai context was very limited. However, in the development of the AEC, two organisational participants expressed similar concerns on the matter of the retention of high-skilled employees.

An interviewee mentioned that the possible loss of key employees or of highly skilled labour may affect the continuity of the business or result in a reduction in operational efficiency and effectiveness. On the other hand, another interviewee emphasised loss of know-how, including knowledge and intellectual property. This may lead to increased costs to recruit, select and provide training to new employees, which can be very time consuming. Therefore, within its report, one of the most important issues included in the content was centred on employee matters. It covered such topics as employee health and safety performance, competitive remuneration and related benefits, education, training and development programmes, and employee award and recognition programmes. The sample companies also distributed their reports broadly among their employees and found that the latter often shared the information with their families and friends. This implied that the employees' voices could convey a message promoting corporate responsibilities. This proved to be beneficial to the reporting organisations in winning over their existing employees, establishing positive relationships with them and enhancing employee retention while, at the same time, attracting new potential employees. It can be implied that SER was used as a tool by which the companies communicated with their existing and future employees. A senior manager noted:

> "I am happy to show my appreciation of employee dedication both in the newsletter and annual report and how we treat them, provide them with good training opportunities. I think they deserve it and that it possibly makes them feel more part of the company. I believe that, if our employees are happy and get better job satisfaction, they will contribute more to the wealth of the company". (Organisation A02)

6.6 Stakeholders who not have a major influence on either sectors

6.6.1 Non-Governmental Organisations (NGOs)

6.6.1.1 Power

In Thailand, the role played by NGOs, as perceived by the majority of organisational participants, seems to be limited compare to that played in developed countries. Their professionalism and knowledge have been largely ignored by corporations. Their influence on SER practices in the Thai context is very limited compared to that of other stakeholder groups.

6.6.1.2 Legitimacy

In this PhD study, very few sample organisations mentioned or referred to NGOs when discussing their business operations or CSR activities. One organisational participant from an oil and gas company asserted that, as his company belonged to an environmentally sensitive industry; it was always targeted by NGOs, which closely monitored its corporate behaviours and operations. He explained the situation:

> *"As we are in the Oil and Gas industry, which operates in sensitive environments, we need to respond to those concerns relating to social and environmental matters that emerge from both domestic and international NGOs. At the same time, we also need to be careful when voluntarily disclosing such social and environmental information, as it can sometime raise [the NGOs'] expectations".* (Organisation D03)

In addition, he expressed the opinion that the ways in which the NGOs monitored or acted as 'watch dogs' could have an impact on the reporting organisations, in that they could reduce their disclosures. The more social and environmental information a company publishes, the higher is the chance of it becoming visible and giving rise to increasing questions regarding the company's behaviour and performance; to some extent, a reporting organisation will attempt to reduce the possibility of such circumstances arising by minimising the social and environmental information it

discloses. In this regard, O'Dwyer's (2002) study of the managerial perception of CSR in the Irish context suggested that SER could be perceived as being counterproductive.

However, some organisational participants stated that, to some extent, NGOs seemed to be clamouring too much for attention. SER appeared to be a challenge as it introduced and increased the NGOs' opportunities to monitor and scrutinize organisational behaviours. During the interview, one organisational participant from an oil company expressed such an opinion:

> *"Sometimes, we would like to reduce the issue of the impact of our operations on the environment by reducing our disclosure to minimum levels in order to avoid any enquiry"*. (Organisation H01)

6.6.1.3 Urgency

Due to their lack of power and legitimacy, the level of urgency of NGOs' claims, as perceived by the interviewees, was relatively low. Akin to local communities, in order to raise their influence and increase the degree of organisational attention, NGOs have to rely on 'definite stakeholders' (Mitchell et al., 1997), such as government authorities and media agencies, which have formal contracts with organisations. Since these definite stakeholders hold all three attributes of power, legitimacy, and urgency, they seem to get top priority and the full attention of the organisations.

6.6.1.4 Discussion

The main findings revealed that the sample organisations, especially one from the environmentally sensitive energy sector, showed a tendency to move toward moral legitimacy. During the interviews, the organisational participants from the oil and gas companies expressed how they felt socially obliged to provide an account of organisational activities. SER was seen as 'the right thing to do' as it demonstrates that an organisation is responsible and accountable beyond its obligations to its stakeholders.

According to the literature review, Non-Governmental Organisations (NGOs) were one of the stakeholder groups that had often appeared in previous research studies as having an impact on an organisation's operations and activities (O'Dwyer, 2005, Unerman and O'Dwyer, 2012). Clarkson (1995: p.107) defined NGOs as secondary stakeholders "who influence or affect, or are influenced or affected by, a corporation, but are not engaged in transactions with the corporation and are not essential for its survival". However, although they do not have a direct impact on the survival of a corporation, NGOs can affect public values and perceptions and/or exert pressure on corporations, leading to possible threats to corporate operations as we can see in the case of 'sweatshops' (Islam and Deegan, 2008).

In this PhD study, it can be recognised that this stakeholder group can influence the sample organisations both directly and indirectly. Responsibility towards these stakeholder groups was also perceived by some organisational participants—albeit in a very limited fashion—as being one of the motivational factors behind the adoption of their SER practices. The empirical data suggests that NGOs were perceived as 'discretionary stakeholders', which only possess legitimacy to influence the sample companies.

6.7 An analysis of stakeholder categorisation

Further to the empirical data discussed above, this section presents an analysis of the stakeholder categories. To aid the analysis, the stakeholder categories model from section 3.5.1 has been reproduced to briefly review the seven different stakeholder groups based upon their attributes of power, legitimacy and, urgency.

Figure 6.1: Stakeholder Categorisation
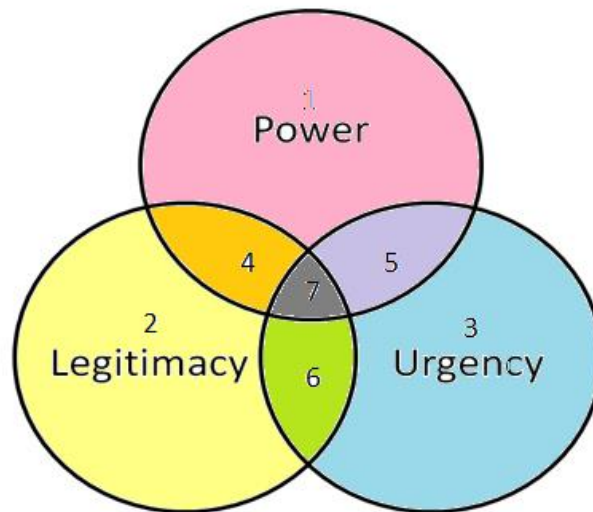
Adapted from Mitchell et al., 1997

1. Dormant stakeholders (pink) have the power to impose their will on others but lack legitimacy and urgency.

2. Discretionary Stakeholders (yellow) possess legitimate claims, but lack the power and urgency to influence an organisation.

3. Demanding Stakeholders (blue) have urgent claims, but neither legitimacy nor power.

4. Dominant stakeholders (orange) have both powerful and legitimate claims but lack urgency.

5. Dangerous stakeholders (purple) have both power and urgency, but lack legitimacy.

6. Dependent stakeholders (green) have urgent and legitimate claims, but lack the power to enforce their will.

7. Definite stakeholders (grey) hold all three attributes of power, legitimacy, and urgency.

Given the stakeholder categories, the variety of both internal and external stakeholders that influence the undertaking of SER in the two industry sectors in the Thai context can be further discussed and summarised in the following section.

6.7.1 _Stakeholders that have a major influence on both sectors_

The stakeholders that have high salience, based upon the possession of all three attributes of power, legitimacy, and urgency, are 'definite stakeholders' (Mitchell at al., 1997:872). In this PhD study, definite stakeholders, that are a major influence on the initiation of SER in both sectors, include the government, lenders, the Stock Exchange of Thailand (SET), and Chief Executive Officers (CEOs), as shown in the Venn diagram of Figure 6.2. The motivations underlying SER derived from these high salience stakeholders are based upon economic and regulatory rationales since they have high levels of power and legitimacy. For example, the SET exercises its power to coerce listed companies to disclose additional information on business operations in Form 56-1with their annual reports, while lenders can require organisation to disclose their social and environmental information during loan approval processes. On the other hand, the media was also recognised as a 'definite stakeholder' by the sample organisations. In effect, the sample organisations were not concerned about the media directly; they were concerned about the influence that the media had on other stakeholder groups that can directly impact the organisations, such as government authorities and shareholders. Moreover, the empirical insights reflect that other stakeholder groups with less salience, such as customers and local communities, also rely on the media to draw the attention of the sample organisations. For example, as in the case of the industrial waste contamination of the Bang Pakong river in Chachoengsao Province. In this regard, SER could be viewed as being more about public relations or a communication tool to address any issues or concerns that may be placed under media scrutiny.

Beside the above discussion, 'dominant stakeholders', such as shareholders and His Majesty the King, are likely to wield similar levels of power and legitimacy in both the energy and manufacturing sectors. The sample companies feel the need to adopt SER practices due to the perceived influence of these stakeholders; however, such

influence seems to be lacking the urgency to enforce it and become more effective and active in reality. An interesting point was expressed by some of the interviewees about shareholders seeming to focus largely on economic figures rather than social and environmental information. However, they would still become aware if such information should be missing from the report. The sample organisations therefore have to take them into consideration wisely when adopting SER.

Figure 6.2: Stakeholders who have a major influence on both sectors
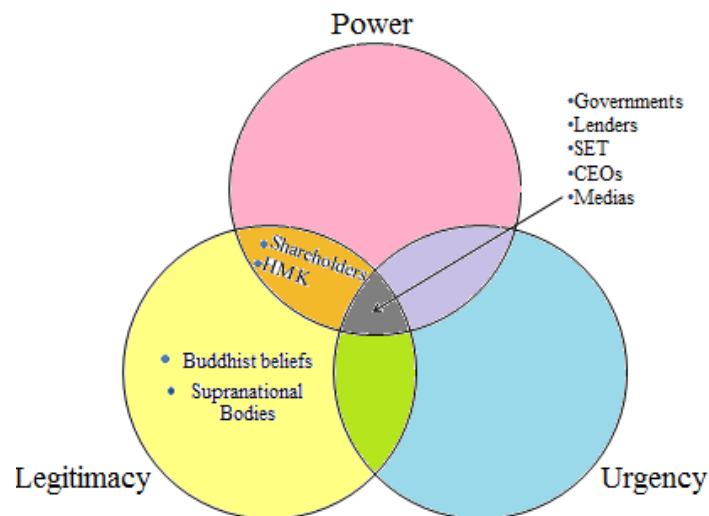
In addition, 'discretionary stakeholders', such as supranational bodies and Buddhist beliefs, are likely to have only the legitimacy attribute in motivating SER. As SER is still effected on a voluntary basis in Thailand, the sample organisations that link themselves to supranational bodies like the Global Reporting Initiative (GRI) seem to be large companies with sufficient capital and human resources. They choose to employ international standards within their SER practices to improve their trustworthy and creditability. Among the sample companies from both sectors, the interviewees also believed that, besides the regulatory and economic rationales, CSR activities and SER have been strongly influenced by the unique Thai characteristics across the industrial sectors. These are slowly developed within the Thai organisations in many different ways. One example that can be easily observed is the merit making in the form of monetary donations into His Majesty the King's and other Royal charity projects.
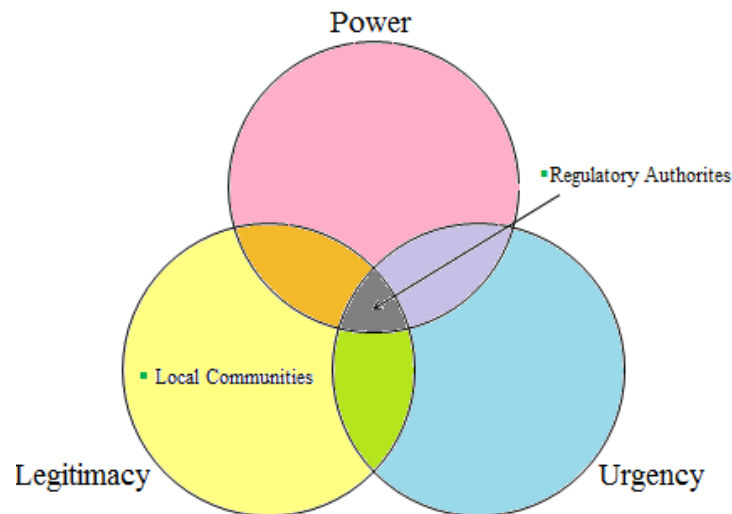
6.7.2 _Stakeholders that have a major influence on the energy sector but not on the manufacturing one_

Due the nature of its business operations, which usually involve transforming natural resources into primary products such as oil and gas, it is no surprise that the energy sector has always been recognised as an 'environmentally sensitive industry'. Therefore, it has been subject not only to general social and environmental laws and regulations but to specific ones such as the Energy Regulatory Commission and Environmental Impact Assessment (EIA). Moreover, the business is also considered to be capital-intensive, which provides a high barrier to entry due to the large amounts of investment required. The key players in this industry tend to be SOEs, two of which are represented in the sample organisations. These put them under high degrees of pressure from their politically motivated ownership. As such, they have to face some distinct governance laws and regulations, such as the Law on State Enterprise Establishment.

From the energy companies' perspective, the regulatory authorities are therefore recognised as 'definite stakeholders', which have high levels of power, legitimacy, and urgency. These directly impact and strongly influence business operations and activities, including SER. They can coerce the sample companies to disclose their social and environmental information on a timely basis in order to avoid any penalty or punishment.

On the other hand, the sample companies from the energy sector also take local communities into consideration when initiating SER, since they have to rely on their support. However, in practice, this can be more easily seen in CSR activities; for example, planting trees to establish more green spaces or building local roads and facilities. In this regard, it could be recognised that the sample companies perceived the local communities as 'discretionary stakeholders', which only possess legitimate claims, but lack power and urgency.

Figure 6.3: Stakeholders that have a major influence on the energy sector

6.7.3 *Stakeholders that have a major influence on the manufacturing sector but not on the energy one*

Within this PhD study, most of the sample companies in the manufacturing sector were more involved with business customers, rather than with end ones. They recognised their business customers as important stakeholders that can exert pressure upon them to disclose additional social and environmental information when entering supplier assessment processes. In addition, the sample companies also perceived the positive force exerted by their parent companies towards the adoption of SER practices. This usually takes the form of encouragement, depending on the available human and capital resources. Although the influence of business customers and parent companies might not be very strong compared to that of the government and regulatory bodies, the former can still be categorised as 'definite stakeholders'. They both clearly possess the three attributes of power, legitimacy, and urgency to influence the sample companies' decisions to engage with SER.

The other stakeholder group, the ASEAN Economic Community (AEC)—which is categorised as a 'dependent stakeholder' that has urgent and legitimate claims but lacks power—was explicitly acknowledged by the organisational participants from the manufacturing sector. The single market with free flow of capital and labour has increased market competition and has motivated the sample companies to adopt SER

practices. The empirical data show that the sample companies have been using SER as a strategic tool to adopt some changes and communicate with its key stakeholders.

Figure 6.4: Stakeholders that have a major influence on the manufacturing sector
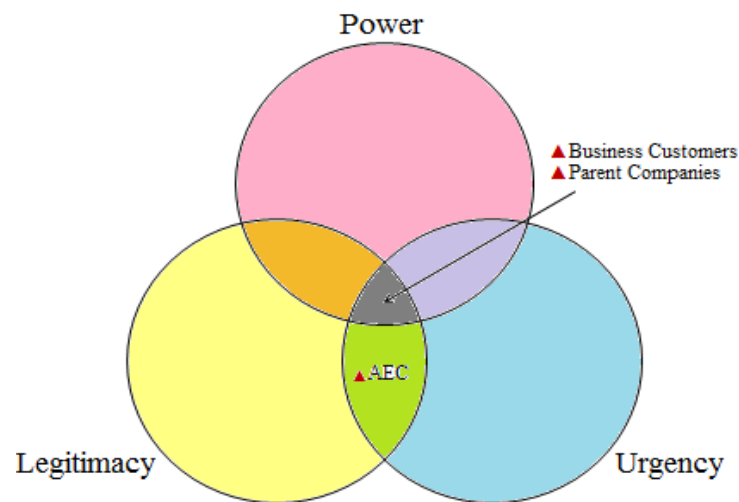
6.7.4 *Stakeholders that do not have a major influence on either sector*

In the Thai context, NGOs seem to be stakeholders that have a very small impact on the motivational factors underpinning SER. The role played by NGOs in Thailand is very limited compared to that in developed countries such as the US or the UK. It was only perceived by a few of interviewees from the energy sector in regard to environmentally sensitive issues.

Figure 6.5: Stakeholders that do not have a major influence on either sector
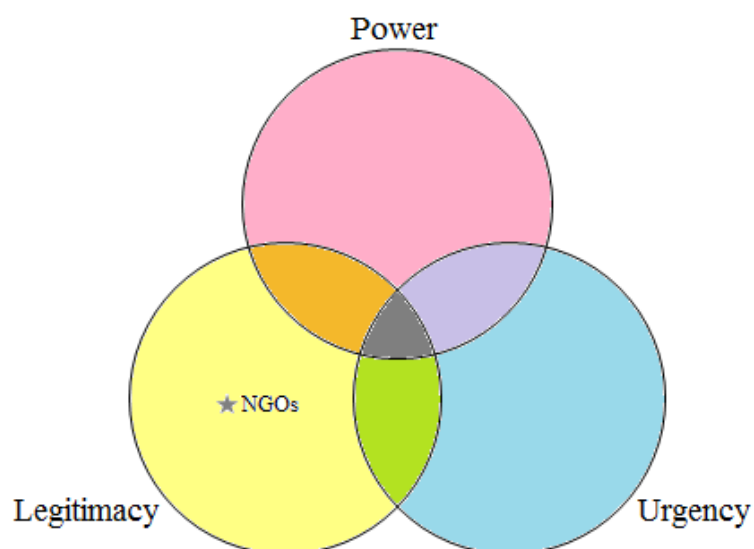
6.7.5   *Summary of stakeholder categorisation*

In this PhD study, most stakeholder groups—such as the government, lenders, the Stock exchange of Thailand, CEOs, media, regulatory bodies, business customers, and parent companies—were identified and categorised as 'definite stakeholders'. This category possessed all three attributes of power, legitimacy, and urgency to influence the sample organisations to adopt SER. However, their degree of stakeholder salience could vary depending on the industry sector and social contract they face. Beside definite stakeholders, dominant and dependent stakeholders, which only had two of the three attributes, were also recognised as motivating factors underpinning the initiation of SER. The first category (dominant stakeholders), which had power and legitimacy, included shareholders and His Majesty the King, while the second category (dependent stakeholders), which had legitimacy and urgency, included the ASEAN Economic Community (AEC). As shown in figure 6.6, the last stakeholder category was that of 'discretionary stakeholders', which only had legitimate relationships with the sample organisations. These included supranational bodies, Buddhist beliefs, local communities and NGOs. Therefore, their stakeholder

saline was relatively low in influencing the sample organisations' decision to adopt SER.

Figure 6.6: Summary of Stakeholders categorisations
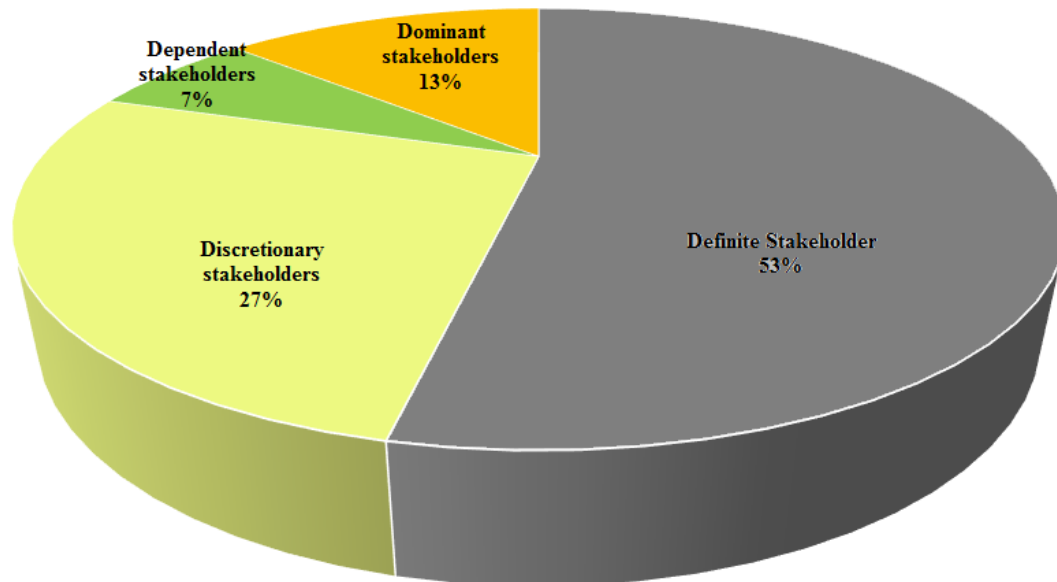
6.8 Summary

In accordance with the empirical data, each stakeholder was evaluated based on its attributes of power, legitimacy, and urgency. In practice, however, the majority of organisational participants perceived the existence of a relationship among stakeholder attributes. The responses of the organisational participants somehow presented a combination and coalition of the power, legitimacy, and urgency attributes; for example, the existence of an overlap between the stakeholder attributes of power and legitimacy. Moreover, all of the interviewees clearly recognised a combination of the various stakeholders. They highlighted that each stakeholder had a certain degree of impact towards CSR activities and the initiation of SER. They perceived one stakeholder as being more significant than others in its own impact on the undertaking of SER.

The next chapter presents the conclusions of this PhD study and outlines its contributions and limitations, including suggestions for potential future research.

Chapter Seven: Conclusion

7.1 <u>Introduction</u>

This chapter focusses on the key implications of the research findings and concludes the study. It comprises four sections. The first, drawing from each previous chapter, provides an overview of the research. The second discusses the main conclusions in light of the research aim and objectives of the study. The next section outlines the research contributions to the extant literature from both the theoretical and empirical perspectives. The final section considers the limitations of this study and makes suggestions for possible future research.

7.2 <u>Research Overview</u>

This PhD study sought to understand the motivational factors based upon which Thai organisations choose to initiate social and environmental reporting (SER). In Thailand, SER is a rather new practice. In effect, it is being developed from the context of corporate social responsibility (CSR) practices. Its beginnings can be largely seen in the efforts made by multinational companies and/or their subsidiaries. The review of the SER literature in Chapter 2 showed that SER has become a common practice in developed countries. However, in the past few years, increasing attention has been given to SER in developing countries. Belal et al. (2013: p.82) made a call for further investigation into the motivations underpinning the initiation and provision of corporate reporting behaviours in a specific country's context; this reflects the fact that the socio-economic realities of emerging and less developed economies appear to be different from those of developed countries. In response to this concern, this research study was aimed at investigating the reasons behind Thai companies initiating SER upon a truly voluntary basis.

As illustrated in Chapter 5, the country specific context of Thailand provided useful insights into how its unique characteristics impact the undertaking of social and environmental disclosure. In addition, Thailand joined the AEC (ASEAN Economic Community) in 2015, which transformed the ASEAN (Association of Southeast Asian Nations) into a region with free movement of goods and services, and the free flow of

capital. This provided a great opportunity and a great timeline that motivated and set the context for this PhD study.

To address the research aim, this study adopted stakeholder identification and salience as the theoretical framework to structure and carry out its analysis. It explored how the sample companies engaged in SER with different approaches based upon different stakeholder groups and with regard to the degree of stakeholder attributes—namely: Power, Legitimacy, and Urgency—as outlined in Chapter 3. In Chapter 4, the study emphasised the use of the middle range approach proposed by Laughlin (1995, 2004) as its core methodological standpoint. The empirical data were collected by means of semi-structured interviews as the primary method, complemented by content analysis.

This PhD study specifically focussed on the energy and manufacturing industry sectors. There was an a-priori expectation that, given the differences between them, these industries were likely to present different views, needs, and expectations with regard to different stakeholders. The empirical analysis clearly showed the role played by the power, legitimacy, and urgency attributes of different stakeholders in motivating SER. This was done by distinguishing, comparing, and contrasting the two sectors with regard to the influence exercised both by those stakeholders that were expected to have similar levels of attributes and by those for which those levels were expected to differ between the two sectors, as highlighted in Chapter 6. Given the findings of this research, the main conclusions in relation to the research aims and objectives are presented in the following section.

7.3 Conclusions on Research Aims and Objectives

The aim of this PhD study was to investigate the motivations underpinning social and environmental reporting (SER) practices in local Thai listed companies. The focus was upon the energy and manufacturing industries in particular. In addressing the research aim, the three research objectives are represented below:

- To investigate Thai companies' attitudes towards SER practices.

Most sample companies perceived SER practices as the 'right thing to do' in order to create potential business opportunities, rather than as a threat. The willingness to take

on greater responsibilities and to be accountable to stakeholders can explain an organisation's attitude towards its adoption of SER practices. However, the initiation of SER practices largely depends on the available human and capital resources. When thinking about adopting SER practices into their decision making processes, the sample companies were more concerned with the related financial benefits and outcomes. Therefore, in the Thai context, reporting is still limited to large companies. It can be suggested that, in Thailand, economic survival remains the top priority, and that SER is still in its initial stages.

- To understand the reasons behind the initiation of SER practices by Thai companies.

The empirical insights show Thai companies as having become increasingly aware of the strategic importance and usefulness of adopting sustainability reporting. The interviewees believed that it would demonstrate their commitment and contribution to the successful operation of their business in tune with a sustainable development approach. Such achievements signify that the companies had business visions that embedded social and environmental sustainability within their operations. They considered SER because it had numerous positive effects on their organisations in terms of managing and reducing costs, attracting staff and customers, and improving brand and reputation. They used sustainability reporting as a communication tool to disclose and provide the information related to their activities to their various stakeholders, which include governmental bodies, shareholders, investors, business customers, suppliers, employees, the local community, and so on.

- To provide insights into how both external and internal factors affect the undertaking of SER practices in the Thai context.

The empirical data showed that many stakeholder groups—both internal and external—were mentioned as being motivational factors for the adoption of SER practices. Each individual stakeholder group presented varying degrees of influence depending on their different levels of power, legitimacy, and urgency as perceived by the organisational participants. This will be further discuss in the following section.

7.3.1 *Stakeholders who have a major influence on both sectors*

7.3.1.1 Government laws and regulations

It is possible to recognise that the influence exerted by government laws and regulations was one of the most important motivational factors to adopt SER. They have the power to coerce the sample organisation to disclose their social and environmental information. A number of organisational participants also highlighted that the mandatory documents to be submitted to the government are the context within which SER practices are being developed. As powerful and legitimate stakeholder, their requirements were immediately satisfied by the sample organisations in order to avoid penalties and punishments. In this regard, it can be recognised government laws and regulation as 'definite stakeholders'.

7.3.1.2 Lenders

Lenders were recognised as a source of capital as perceived by the organisational participants across both sectors. Therefore, it is reasonable to recognise them as key stakeholders that have a direct impact on a company's survival. They can pressure the sample companies to disclose relevant social and environmental information when entering loan approval processes. Their ability to leverage all their three attributes of power, legitimacy, and urgency towards the sample organisations' initiation of SER has caused them to be labelled as 'definite stakeholders', which have high salience.

7.3.1.3 The Stock Exchange of Thailand

The Stock Exchange of Thailand (SET) was also recognised as a highly salient stakeholder and categorised as a 'definite stakeholder' with respect to the sample organisations. As listed companies, all sample organisations were obliged to comply with the SET's regulations in order to avoid the suspension of their trading activities. They clearly stated that they needed to submit their annual reports with Form 56-1, which includes additional social and environmental information that could be relevant for investment decisions. It could be seen that the undertaking of SER practices had been directly influenced by the SET's requirements.

7.3.1.4 CEOs

To some extent, the influence of CEO personal motivations has caused the development of a growing awareness among the business sectors toward SER issues. The empirical data showed that CEO personal influence on responsibility and sustainability could be revealed and seen within business activities, including CSR activities and SER. Therefore, it could be perceived that the CEOs' top down approach was a motivation behind sample organisations' decisions to adopt SER. Thus, these powerful and legitimate stakeholders could be recognised as 'definite stakeholders'.

7.3.1.5 Shareholders

The sample organisations recognised shareholders as one of the most powerful stakeholder groups, which provide financial resources. They produced and used SER as a communication tool to provide additional social and environmental information to complement the financial information to these key stakeholders. However, in practice, shareholders seem to be much more focussed on economic issues rather than social and environmental responsibility and reporting ones, as perceived by the organisational participants from both sectors. In other words, it could be suggested that shareholder pressure had little to do with the sample companies' approaches towards SER practices. In this case, shareholders were recognised as 'dominant stakeholders', which possess the attributes of legitimacy and power but lack that of urgency.

7.3.1.6 His Majesty the King

This unique Thai characteristic had an impact on the sample organisations' decisions to initiate SER. In this study, the sample organisations were motived by the King's influence and his Royal Initiatives to do business in a socially acceptable manner. It delivered positive energy, encouraging the sample organisations to do the right thing and take other stakeholders, such as local communities, into consideration when doing business. The motivations induced by His Majesty the King clearly inspired the organisational approaches to both CSR activities and SER in the Thai context.

Therefore, His Majesty the King could be identified as a 'definite stakeholder', who had high salience with respect to the sample organisations.

7.3.1.7 Buddhist beliefs

Similar to His Majesty the King, Buddhist beliefs are another Thai unique characteristic that has been deeply rooted and embedded in Thai organisations for many decades. Most organisational participants acknowledged that this is the context within which CSR activities and SER practices were being gradually developed. It could be suggested that Buddhist beliefs are a 'discretionary stakeholder', which possesses the attribute of legitimacy, but not those of power and urgency.

7.3.1.8 The Media

The media play an important role in motivating the sample organisation to adopt SER, especially when associated with crises or major incidents. SER has been used to respond to unforeseen crises, offering accounts and attempts to counter threats in order to retain corporate image and reputation. In this PhD study, the organisational participants from both industrial sectors recognised the media as being highly salient, thus categorising them as 'definite stakeholders'.

7.3.2 _Stakeholders that have a major influence on the energy sector but not on the manufacturing one_

7.3.2.1 Regulatory Authorities

This is one of the most powerful stakeholders, with high salience in all three attributes of power, legitimacy, and urgency. Due to the nature of their business operations, which are sensitive to natural resources, the sample organisations within the energy sector were subject to the jurisdiction of specific regulatory authorities. These regulators could coerce the sample organisations to conform to laws and regulations of an industry specific nature, which, akin to general ones, also require certain information disclosure to be effected on a timely basis.

7.3.2.2 Local communities

Most CSR activities in Thailand are directed towards local communities. However, the latter's influence on the sample organisations' decisions to adopt SER appeared to be very limited. This was possibly due to their lack of power to draw attention from the sample organisations. From the theoretical perspective, local communities were categorised as 'discretionary stakeholders', which only possess the attribute of legitimacy.

7.3.3 *Stakeholders that have a major influence on the manufacturing sector but not on the energy one*

7.3.3.1 Business Customers

In this PhD study, the sample organisations within the manufacturing sector referred more to business customers rather than end ones when addressing the motivational factor for their adoption of SER. Due to the nature of their business operations, in their relationships with their business customers, the sample companies took on the role of suppliers of raw materials and other services. Therefore, this powerful and legitimate stakeholder group is relatively important to the sample companies' survival. Any requests made by these stakeholders to disclose additional information related to business operations when initiating supplier assessment processes are perceived by the sample organisations as being very important and deserving of immediate responses. From an economic rationale, business customers can be identified as 'definite stakeholders' with high levels of all the three attributes of power, legitimacy, and urgency.

7.3.3.2 Parent Companies

The empirical insights of this study show that the pressure exerted by the parent companies upon the sample organisations to initiate SER could be seen as a form of encouragement rather than one of imposition. However, the responses to the parent companies' calls varied depending on the availability of capital and human resources.

In this regard, this need for immediate action might not be as critical as that triggered by business customers even though the two stakeholders were categorised in the same 'definite stakeholder' group.

7.3.3.3 The ASEAN Economic Community

The ASEAN Economic Community (AEC) was referred to as a double-edged sword. On one hand, it provided the sample organisations with good opportunities to expand their market into the region. On the other hand, it required the sample organisations to adopt some changes in order to remain competitive within the new open market. In this regard, SER was used as a strategic tool to communicate with existing and potential customers and provide social and environmental information related to business activities. As the AEC was due to established in 2015, the sample organisations were aware of the timeline when they decided to initiate SER. In this case, it could be recognised that the AEC had a legitimate and urgent claim, making it a 'dependent stakeholder'. However, as SER was still effected on a voluntary basis, it could be argued that the promotion of SER within the ASEAN context would have to depend on other stakeholders, such as each respective national government, for their power to support and make SER become more effective.

7.3.3.4 Employees

In contrast to the studies carried out in developed countries, it was found that the influence exerted by employees on the initiation of SER in the Thai context was very limited. Therefore, employee expertise was largely ignored by the organisational participants. However, in the development of the ASEAN Economic Community approach, which allows the free flow of skilled labour, made the sample companies aware of the importance of retaining their high-skilled employees. Recently, the companies started to affect some changes by using SER as a tool to communicate with their existing and future employees in regard to employment practices, occupational health and safety, education and training programmes, and other benefits.

7.3.4 *Stakeholders that do not have a major influence on either sector*

7.3.4.1 Non-Government Organisations (NGOs)

Due to their lack of power, legitimacy, and urgency, the role played by NGOs in the Thai context was very low compared to that found in developed countries such as the US, the UK, and Australia. Their claim was likely to be ignored by the sample organisations. Unsurprisingly, NGOs have a very limited influence on the initiation of SER.

7.3.5 *Overall insights*

The coercive power exercised by stakeholder groups such as the government, the Stock Exchange of Thailand (SET), and regulatory bodies was identified as a key motivational factor for the Thai organisations' decisions to initiate SER. All of the sample companies primarily complied with legal requirements, including the disclosure of related documents, in order to avoid punishments, sanctions, or penalties. At the early stages, some application forms, which were to be mandatorily submitted to the government authorities in compliance to the laws and regulations, became the context within which SER practices were developed. At the same time, the sample companies also revealed that they depended largely upon this particular stakeholder (the government) for resources and support in order to maintain their licenses to operate, which could also be perceived as a form of utilitarian power. This perception was clearly seen and easily observed in the sample organisations from the energy sector in particular. This showed that, even with reference to the same stakeholder group, the sample organisations' perceptions of its attributes could vary.

Most organisational participants referred to financial benefits as the motivational factor behind their initiation of voluntary SER practices. The findings suggested that a combination of utilitarian power and pragmatic legitimacy existed regarding to this matter. The evidence from the empirical findings illustrated that both sectors recognised the influence to adopt SER wielded by economic stakeholder groups such as lenders and shareholders. Taking positive responsive approaches to providing

social and environmental information to these economic stakeholders led to acquiring potential financial benefits in return. In addition, several organisational participants, especially those from the manufacturing sector, referred to 'the business case' as the motivational factor behind the initiation of voluntary SER practices. With specific reference to the 2015 institution of the ASEAN Economic Community, the organisational participants identified that SER played an important part in their strategic expansion plans. Not only had SER improved the organisations' internal processes, it was also used as a communication tool to attract new business partners and to maintain the relationships with existing ones. The idea of Southeast Asian Nations integrating into a single market brought competitive opportunities to the attention of the sample organisations, which felt that such integration would bring competitive opportunities into the region. This was due to the setting up of a single market with the free flow of labour and capital, which would increase opportunities and attract more foreign direct investment. Therefore, SER was used to publicise corporate social and environmental responsibilities. The organisational participants believed that, by doing so, they could gain a competitive advantage. The advantages brought to a business by taking social and environmental considerations into account could be referred to as a 'business case' (Hopwood et al., 2010). The sample organisations used their SER approaches as pro-active strategies aimed at achieving pragmatic legitimacy.

One key observation that caught the researcher's attention was that a number of organisational participants recognised not only coercive but also normative power as a motivational factor to adopt both CSR activities and SER practices. They acknowledged that the well-publicised and/or prestigious prizes awarded by well-known and trustworthy national and international institutions to reflect the extent of an organisation's responsibility and accountability in its business activities were a key driver for sample organisations to engage in CSR activities and publish SER; for example, receiving the SET CSR Awards or the Royal emblem, or being ranked in the Dow Jones Sustainability Indices (DJSI). In parallel, the acquisition of cognitive legitimacy was also identified. Some argued that the sample organisations had gained national and international recognition based upon their adoption of comprehensible and understandable practices. This positive drive encouraged them to take corporate social and environmental responsibility into account when deciding to adopt SER.

Moreover, more than half of the sample companies adopted sustainability reporting assurance practices to show their intentions to provide greater transparency, comparability, and timeliness in their corporate sustainability reporting. These assurance practices could be perceived to be a key issue aimed at enhancing the credibility of the information provided. Moreover, they also reflected an increase in the value of the sample companies.

The findings also suggest that some aspects of Thai culture, such as Buddhist beliefs and His Majesty the King's influence, had encouraged a greater sense of corporate responsibility and sustainability. These were also viewed as key motivational factors to develop CSR and SER in Thailand. They encouraged and motivated the sample companies to make a concerted effort 'to do the right thing', which was reflected in organisational practice attempts to evolve CSR activities from simple forms of monetary donations to providing support to the communities' self–development abilities. In this case, the sample organisations used SER to gain moral legitimacy. However, in Thailand, SER practices were adopted on a voluntary basis. In this case, the attribute of urgency was seen to be lacking when compared with regulatory and financial considerations.

7.4 Reflections on the theoretical framework

The main findings discussed above provide an indication of a relationship among the stakeholder attributes of power, legitimacy, and urgency. Employing stakeholder identification and salience theory as the theoretical framework provided a useful explanatory lens to interpret and analyse the motivational factors behind the adoption of SER in the sample Thai organisations. Stakeholder identification and salience provided a complementary perspective to stakeholder and legitimacy theory by including the notion of the stakeholder attributes of power, legitimacy, and urgency within the same framework. By doing so, it enabled the researcher to capture the dynamics of stakeholder and organisation relationships in regard to SER given in this research's findings. It also took the interrelation between the three attributes of power, legitimacy, and urgency into consideration in order to provide greater in-depth

insights into the empirical data. It helped to understand not only 'who and what really mattered' but 'when' the initiation of SER became salient to the sample organisations.

The responses of the organisational participants somehow highlighted such a combination and coalition of stakeholder attributes; for example, the overlapping of power and legitimacy in government and regulatory bodies. At the early stage of SER development, the sample companies seem to respond to those government and regulatory bodies that have the very high coercive/utilitarian power and pragmatic legitimacy necessary to force companies to disclose their related information in order to exchange and/or maintain their licenses to operate. In the Thai context, moreover, the overlapping between the stakeholders attributes of power and legitimacy is also a key driver of the degree of urgency. The empirical data show that the sample companies seem to rely on the degree of the stakeholder attributes of power and legitimacy in order to determine the immediacy of their responses to stakeholder requests. As urgency was not a major issue emerging from the empirical data, it has not been possible to address this to any great extent in the empirical analysis. To some extent, it was sometimes difficult to differentiate between these two attributes in the data analysis; for instance, the original legitimacy explanations proposed by Mitchell et al. (1997) appeared to be closely related to the utilitarian power explanation from the perspective of the sample organisations. Moreover, Derry (2012:260) critiqued that "the Mitchell et al. salience model is seen as problematic in its insistence on managerial authority". It is therefore important for this PhD study to make a further development of the theoretical framework by providing a more fruitful and refined framework of the legitimacy attribute in order to make the empirical analysis more analytical. The input detail is discussed in the following section.

Secondly, the breaking down of stakeholders in categories clearly helped to justify and identify those stakeholders that were perceived as being highly salient by the managers. For example, 'definite stakeholders', such as the government, held high levels of all three attributes and could therefore substantially influence the sample companies to disclose SER more than 'discretionary stakeholders', such as Buddhist beliefs, that only held the attribute of legitimacy.

Last but not least, stakeholder identification and salience theory focusses on and values the importance of the role played by managers in recognising and prioritising stakeholder attributes and salience. The managers' point of view employed in this framework was considered to be a useful aspect in helping to effectively understand the relationship between the sample organisations and their stakeholders. This theoretical framework provided a guideline and helped to structure this PhD study. Due to the different social contracts in which the sample organisations operated, the managers may or may not have perceived their stakeholders differently. When investigating why local Thai organisations had chosen to initiate social and environmental reporting through the lens of stakeholder identification and salience theory, this PhD study was carried out using the semi-structured interview method to examine manager perceptions in order to successfully address the research aim and objectives.

7.5 <u>Research Contributions</u>

The thesis contributes to the social and environmental reporting literature both theoretically and empirically.

This PhD study responds to the call made by Mitchell et al. (1997: p.881): "in attempting to build momentum in the development of stakeholder theory, we are acutely aware that we have necessarily made sweeping assumptions that, for the sake of clarity in a preliminary articulation, are passed over, with the implicit understanding that for the theory to hold, these must be revisited and assessed." To enrich the theory and add to its usefulness, this study provides a more refined framework of the legitimacy attribute; in particular, by expanding legitimacy into the three different types—pragmatic, moral, and cognitive—proposed by Suchman (1995) (see Chapter 3). In the SER literature, including stakeholder identification and salience theory, the concept of legitimacy often offers a broader perspective in which most SER is consistent and in line with legitimacy justifications. As it helps to further develop our deeper understanding of the companies' voluntary disclosure practices, this study offers a further refinement on how organisational legitimacy is being sought and additionally reviews the legitimacy strategies applied to SER disclosures. The

better defined typology of legitimacy employed in this framework to help make sense of the role of an organisation in its societal dynamics can be examined at different levels. In addition, the study also contributes towards a different perspective of legitimacy. It offers stakeholder legitimacy from the perspective of the reporting organisation, rather than organisational legitimacy from the perspective of the stakeholders, which is the most commonly adopted legitimacy theory perspective within the SER literature.

To reiterate the call made by Gray et al. (1996: p.164) and Belal et al. (2013: p.82) for further investigation into the nature and motivations of reporting practices across countries, especially in emerging economies, this research study provides an additional perspective into the social and environmental reporting literature from developing countries. Within the Southeast Asia region, the existing literature is largely focused on the Islamic values that dominate corporate practices. By taking the specific Thai context into consideration, the country's unique characteristics, such as Buddhism and monarchical values, shed new light on the motivational factors underpinning SER. The empirical insights from this thesis complement the existing academic literature, Buddhism and monarchical values are demonstrated to influence both daily and corporate practices—and SER practices in particular. Moreover, in the country's context, this study also argues that the 2015 approach to the ASEAN Economic Community (AEC) also drove the sample organisations to initiate voluntary SER. The empirical data in this study show that, in the Thai context and before the development of the ASEAN Economic Community approach, employee expertise was largely ignored by the organisational participants. The influence of employee motivations on the initiation of SER seemed to be very limited. This differed greatly from the findings of those existing studies focussing upon developed countries, which recognized employees as primary stakeholders who exert a strong influence over their companies' operations and practices. However, this changed when Thailand became a member of the ASEAN Economic Community; the empirical insights show that the sample companies are now aware of any potential loss of key employees that may affect the continuity of their operations. Therefore, they adopt SER as a communication tool to cover such topics as employee health and safety performance, competitive remuneration, and related benefits in order to win

over their existing employees and, at the same time, attract new potential ones.Taking the respective socio-cultural environments into consideration in respect of their various components, such as social context, religion, and monarchical values, may help to improve the chances of successfully promoting the effectiveness of sustainability reporting in Thailand and, possibly, in other developing countries that have similar cultures.

Moreover, the face-to-face semi-structured interviews added fruitful insights to the existing SER research in Thailand, which had commonly adopted a quantitative methodology. This study took a qualitative research approach to provide a more detailed analysis in explaining the motivations underpinning the initiation of SER practices. The study also offers a richer empirical understanding by focussing into the two industrial sectors of energy and manufacturing; it provides an explanation of how these two sectors possess unique sets of stakeholders with specific attributes.

7.5.1 *Policy-related contributions*

The insights gathered from this PhD research study may contribute to the policy development of the ASEAN Community.

The research shows that not only the regulatory and economic rationales, but also the positive drive sparked by the influence of Buddhist beliefs and of the monarchy motivated the sample companies to engage and participate in CSR activities and SER practices. This positive drive encouraged them to take other stakeholders or society as a whole into consideration when doing business. In the research findings, this reflection also showed that some organisations are likely to be more responsible by providing more social and environmental information related to their business activities. Therefore, these Thai unique characteristic are undoubtedly perceived as key motivational factors in the sample companies' decisions to initiate SER. The findings from this PhD study also suggest that the Thai socio-cultural environment has impacted on and has been deep rooted in everyday life and business operations for a very long period of time. Therefore, in order to achieve an effective policy making within the ASEAN Community context, the unique characteristics of each country member should be taken into consideration. Taking the respective socio-cultural

environments into consideration by respecting the various component cultures, languages, religions, and/or forms of government may help translate ASEAN policies into best practices.

Specifically, although the field of sustainability in the ASEAN context is only focussed on the enforcement of laws and regulations, it is worth emphasising the socio-cultural dimensions—such as cultural and religious beliefs—to promote and ensure the effectiveness and relevance of the sustainability concept. As shown in the empirical findings, these factors encouraged the sample companies to 'do the right thing' rather than just focus on maximising profit. Moreover, some organisations were motivated by these aspects to embed the sustainability concept into their business operations. The insights provided by this research may contribute and be useful to policy makers in determining how to successfully translate the sustainability concept into action, which is, at present, such an important focus and basic fundamental for many policies makers. However, the current realities, opportunities, and challenges, such as the political situation, should be examined and given attention to further develop the related sustainability policy.

7.6 Limitations and Suggestions for Future Research

As SER is such a new practice in Thailand, the sample companies were the early reporting organisations who had already adopted SER practices. The sample was chosen based upon the presence of SER and participant availability. Therefore, this PhD study focussed on Thai listed companies from the energy and manufacturing sectors. The distinction between these two sectors was important in the empirical analysis in order to develop a richer understanding of SER but, at the same time, could be considered as a limitation of the study.

This limitation may restrict the generalisability of the findings to further industrial sectors, as they cannot present the claims of all Thai local listed companies. The findings of this study could have been different if a broader range of companies or industrial sectors had been taken into consideration. Therefore, there is a need for future research to expand its scope and include sample companies from more industrial sectors in order to obtain a more comprehensive picture of the motivational

factors behind the initiation of SER in Thailand. In addition, this research study paid particular attention to Thai local listed companies; thus, future research could include the government sector, non-listed companies, and non-governmental organisations in order to gain a fuller understanding of the motivations underpinning SER in the Thai context

Lastly, this PhD study adds its insights to the social and environmental accounting literature in the Thai and ASEAN context. However, there is still a lack of research in the area of SER in the context of developing countries. Future researchers could also extend their investigations in this area to other developing nations, especially within the ASEAN community. There potentially might be some further factors which need to be explored; future research might use case studies to conduct comparative research within the ASEAN context to develop a greater understanding of the region's perspective.

7.7 **Summary**

This chapter summarised and concluded the findings of this PhD study. It first briefly provided an overview of the research; then, it offered the conclusions reached on the major findings of the research to achieve its aims and objectives, including reflections on its theoretical framework. Finally, it outlined the overall contributions made by the research—both empirically and theoretically—its limitations, and made suggestions for potential future research.

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Appendices

Appendix 1: GRI-G4 guidelines

The categories and aspect in the GRI G4 guidelines:

1) **Economic**
   a. Economic Performance
   b. Market Presence
   c. Indirect Economic impacts
   d. Procurement Practices

2) **Environmental**
   a. Materials
   b. Energy
   c. Water
   d. Biodiversity
   e. Emissions
   f. Effluents and Waste
   g. Products and Services
   h. Compliance
   i. Transport
   j. Overall
   k. Supplier Environmental Assessment
   l. Environmental Grievance Mechanisms

3) **Social**

3.1 Labour Practices and Decent Work

   a. Employment
   b. Labour/Management Relations
   c. Occupational Health and Safety
   d. Training and Education
   e. Diversity and Equal Opportunity
   f. Equal Remuneration for Women and Men
   g. Supplier Assessment for Labour Practices
   h. Labour Practices Grievance Mechanisms

3.2 Human Rights
   a. Investment
   b. Non-discrimination
   c. Freedom of Association and Collective Bargaining

     d. Child Labour
     e. Forced or Compulsory Labour
     f. Security Practices
     g. Indigenous Rights
     h. Assessment
     i. Supplier Human Rights Assessment
     j. Human Rights Grievance Mechanisms

3.3 Society
     a. Local Communities
     b. Anti-corruption
     c. Public Policy
     d. Anti-competitive Behaviour
     e. Compliance
     f. Supplier Assessment for Impacts on Society
     g. Grievance Mechanisms for Impacts on Society

3.4 Product Responsibility
     a. Customer Health and Safety
     b. Product and Service Labelling
     c. Marketing Communications
     d. Customer Privacy
     e. Compliance

Appendix 2: A grid used to measure the quantity of disclosures

Appendix 3: Information Sheet and Consent form

Department: School of Management

Name of Study: Motives underlying social and environmental reporting in Thailand

Researcher: Tulaya Tulardilok

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Supervisors: Professor Jeffrey Unerman and Dr Leonardo Rinaldi

Study Objectives:

The aim of this PhD research is to gain an in depth understanding of the motivations for which Thai organizations choose to initiate social and environmental reporting (SER). To accomplish this aim, the research investigates the reasons underpinning their social and environmental reporting practices.

In addition, Thailand's membership of the ASEAN (the Association of Southeast Asian Nations) and the unique characteristics of the Thai context can provide an insight into how external and internal factors influence the undertaking of SER practices.

Participation:

- Participants must be over 16.

- Participation is anonymous and confidential.

- You can withdraw from the interview at any time and may decline to answer any question without the need to provide a reason.

- You have the opportunity to ask questions.

- Your signed consent form will be stored separately from the responses you provide.

- You may retain a copy of this information sheet and contact us with any queries.

Consent: Please choose Yes or No

- I have been informed about the nature of this study and that I am under no obligation to participate. (YES/NO)
- I have read the information sheet pertaining to this study and willingly consent to take part in it. (YES/NO)
- I consent to my interview being audio recorded and then transcribed for the purposes of accurately capturing my responses. (YES/NO)
- I understand that the content of my interview will be anonymised so that no comments can be attributed to me. (YES/NO)

Name: _____

Signed: _____Date _____

A. General questions: perspectives on the social and environmental responsibilities of Thai companies:

- What is your role in the company?

- What is your perspective on the social and environmental responsibilities of Thai companies (including your own)?

- What do you see as their social and environmental responsibilities (if any) and to whom do they relate?

- Are there any differences in the notion of CSR between Thai companies and organisations in Western countries?

- Does your company recognise any of these social and environmental responsibilities? Why? Why not?

B. Social and environmental reporting (SER) practices in each sample company:

- What is your role in relation to corporate social responsibility and social and environmental reporting?

- How do you understand corporate social responsibility and social and environmental reporting?

- What are the social and environmental issues your company presently reports? Why?

- What, in your view, does (or does not) motivate your company to make such reporting?

- Does your company need to be responsive to social and political pressures (if they exist)?

- Does your company prefer to use the annual reports or standalone ones to disclose social information? Why? Why not?

- Why has some information only been disclosed on the website, but not in the report?

C. Other related issues.

- What is your view of the present state of SER practices in Thailand?

- After the Asian financial crisis, how has SER practice developed?

- As the ASEAN Economic Community (AEC) approaches in 2015, do you think it has become more influential in the public and private sectors?

- Describe any problems encountered in implementing SER practices.

- Describe the benefits linked to implementing SER practices.

- What do you think is the best way to promote SER practices in Thailand?