

**EXAMINATION OF REPORT-DERIVED  
PERCEPTION (RDP) ON CORPORATE SOCIAL  
RESPONSIBILITY (CSR) DISCLOSURE IN THE OIL  
AND GAS INDUSTRY IN MALAYSIA**

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**2016**

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RESPONSIBILITY (CSR) DISCLOSURE IN THE OIL  
AND GAS INDUSTRY IN MALAYSIA**

**by**

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**Thesis submitted in fulfillment of the requirements  
for the degree of  
Doctor of Philosophy**

**July 2016**

## ACKNOWLEDGEMENT

Alhamdulillah. First and foremost, I would like to thank my supervisors Professor Dr Jamilah Hj Ahmad, Associate Professor Dr Azizah Omar and Professor Dr Azlan Amran for the knowledge and experience sharing, dedication, support and guidance throughout my journey in completing my PhD thesis.

I am forever in debt to both my father and mother for their endless love, support and encouragement. Their scarification and dedication towards ensuring the best education for me exceeds anything else in the world. Thank you so much.

My heartfelt gratitude also goes to my family members and friends who have contributed directly and indirectly to the completion of this thesis.

May this thesis, in its own way contribute to the social needs and be beneficial to the academic world, community and industry.

*Suriati Binti Saad*

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JULY 2016

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**ANALISIS PERSEPSI TERHASIL DARI LAPORAN TERHADAP  
LAPORAN TANGGUNGJAWAB SOSIAL KORPORAT DALAM INDUSTRI  
MINYAK DAN GAS DI MALAYSIA**

**ABSTRAK**

Peningkatan perhatian terhadap Tanggungjawab Sosial Korporat (CSR) dalam operasi perniagaan menunjukkan bahawa masyarakat kini menuntut perbadanan mengamalkannya kewajipan moral. Selari minat yang semakin meningkat, laporan tahunan berkaitan inisiatif CSR juga telah diberi keutamaan walaupun melaporkan CSR masih diklasifikasikan sebagai tindakan sukarela. Laporan CSR telah menjadi rutin kebanyakan organisasi di setiap industri termasuk minyak dan gas. Kajian ini bertujuan untuk menganalisis apa yang termasyhur dari pendedahan laporan CSR. Persepsi laporan yang diperolehi boleh membantu organisasi untuk merancang agenda komunikasi CSR perlu dilaporkan untuk mendapatkan persepsi yang baik dari pembacaan laporan. Kajian ini memberi tumpuan kepada laporan CSR oleh organisasi yang beroperasi dalam industri minyak dan gas di Malaysia dengan memberi tumpuan kepada organisasi yang menyediakan keperluan pengguna isi rumah. Analisis data telah dilakukan dengan menggunakan pendekatan interpretasi dengan kaedah analisis kandungan. Dapatan kajian menunjukkan organisasi dilihat sebagai bertanggungjawab apabila agenda laporan itu melaporkan apa yang organisasi boleh dan telah lakukan kepada masyarakat dan alam sekitar. Organisasi dianggap sebagai idealis yang strategik dalam operasi perniagaan apabila laporan juga melaporkan kerjasama strategik antara organisasi dan masyarakat.

Walaupun persepsi tidak semestinya sama bagi setiap individu, pembentukan persepsi bergantung kepada pendedahan, pengetahuan dan pengalaman individu terbabit. Dapatan kajian ini menunjukkan bahawa jika motivasi di sebalik inisiatif CSR memberi kesan yang positif kepada organisasi, masyarakat dan alam sekitar, organisasi akan dianggap sebagai memenuhi tanggungjawab sosialnya.

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**ABSTRACT**

The growing interest on Corporate Social Responsibility (CSR) in everyday business operation shows that our society now demands for corporations to practice its moral obligation. Hence, CSR has no longer become an optional extra for corporation business operation. Social performance such as that of CSR can be a deciding factor for important decision making by stakeholders. Paralleled to the growing interest, reporting on the CSR initiatives has also become fundamental, although the content is still at voluntarily basis. CSR reporting in many organisations across various industries including oil and gas is done through a communication medium such as the annually produced corporate social disclosure. Exploring the impact of the CSR disclosure on readers' perception is an avenue to understand the readers' expectations of the organisations. This research is to analyse what transpire from CSR disclosure. The perception derived from readers of the report can help organisation to plan for how their CSR communication agenda should be incorporated in reporting practices. This research was conducted on CSR disclosures of organisation operating in the oil and gas industry in Malaysia, focusing on those serving the household consumers. The research was conducted qualitatively, where analysis was done using interpretative approach from a content analysis method. Findings indicate organisations are seen as legitimate and responsible by

the public when the report agenda is set to be reporting on what organisation can and have done for the community and environment. The organisation will be perceived as a strategic idealist in their business operations when their reports also include the strategic alliance between the organisation and the community. Although perception is not necessarily the same for each individual as the formulation of perception is depending on individual's exposures, knowledge and experiences, findings in this research indicate that if the motivation behind the CSR initiatives is motivated by giving a positive impact to organisation, society and environment, the organisation will be perceived as fulfilling its social responsibility.

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.0 Introduction**

This chapter serves to introduce the research with a brief view from the background up to the scope of study, its objectives, associated problems that result in the need of the study and its significance. Corporate Social Responsibility (CSR) inevitably plays a major role and contributes to the development of the economy, society and environment. The business communication process that come along with CSR initiatives can be seen in the CSR reporting disclosure. This research studies the impacts of the corporate social disclosure agenda on readers' perceptions.

### **1.1 Background to Corporate Social Responsibility**

Socially responsible behaviours have become significantly important to many organisations and their stakeholders. Issues on socially responsible behaviours of organisations and individuals are not new and have been studied since the earliest days of the Industrial Revolution (Crowther, 2012). A growing concern for socially responsible behaviours has now gained prominence in most organisations today. Corporate Social Responsible (CSR) is no longer a philanthropic luxury, but the heart of what an organisation stands for and how it is perceived and valued by various stakeholders. The application of CSR practices by an organisation is likely to have a positive impact on

business, resulting in an enhanced image or brand reputations and profits. These beneficial outcomes have encouraged many organisations to adopt CSR as an integral part of their business plans and operations.

In general, businesses today are no longer operating as how they used to in the past. Businesses are now faced with stiff challenges to survive and maintain a competitive edge due to rapid advances in information and technology, globalisation and liberalisation. Hence, organisations are seeking ways to differentiate themselves and one way of doing so is through engagement in CSR. In this context, many organisations are willing to invest in their CSR marketing activities in order to position the brand better than their competitors. The concept of CSR has gained worldwide attention and acquired a new resonance in the global economy (Jamali, 2006).

In addition, the recent emergence of concerns by various non-governmental organisations (NGO) and environmental pressure groups globally has affected on how businesses are practicing their social responsibility towards the communities and environment. These NGOs and pressure groups are representing the public. One way that businesses communicate with or respond to public concerns is by producing annual reports that highlight all the social responsibility practices of the organisations. Traditionally, many larger public organisations are voluntarily required to produce their annual reports. However, in recent years, annual reports have started to contain information on how social responsibilities were discharged in business operations such as waste management, production materials used and services to communities.



Studies have indicated that businesses which openly disclosed their CSR practices through their annual reporting practices have gained benefits such as higher brand equity, customers' loyalty and better business performances (Raman et al, 2012). With these benefits an organisation can use additional information as an avenue to promote their business agenda. CSR disclosures have been able to take similar role other marketing communication tools, such as public relations, advertising, publicity and many more (Podnar & Golob, 2007). Therefore, one may expect the nature, content and amount of CSR efforts being disclosed by the organisations to be very intricate in order to meet the changes in societal values.

According to Ahmad et al, (2008) and Minga (2010), CSR disclosures have been the focus of much academic research since the mid - 1970's. The popularity of this branch of research may be due to the increasing recognition by major stakeholders within the business community of the importance of socially and environmentally responsible corporate behaviour (Zadek, 1998). In addition to financial accounting information, CSR disclosures, although voluntary and non-financial in content, may also play a role in shareholders' investment decisions (Patten, 1990; Hassel, Nilsson & Nyquist, 2005; Cormier & Magnan, 2007; Dhaliwal, Li, Tsang & Yang, 2011). The contents of CSR disclosures have increased over time (Deegan & Gordon, 1996; Arvidsson, 2010), raising the question whether other advantages from the increased CSR disclosure may accrue from the capital markets, and subsequently may influence the public and relevant stakeholders' perception towards the organisations. For examples, information that attracts investors is usually related to profits and share prices as it describes the organisation's

performance. However, as the public are increasingly concern with organisations' social performances, other information such as the CSR initiatives has gain interest from the stakeholders. This information is presented in CSR disclosures produced annually by the organisations.

Organisations have full discretion on how to present CSR disclosures (Jamali, 2006; Amran & Devi 2008). For nonpublic listed organisations, the CSR disclosures are voluntary, therefore, organisations can choose whether to report and what to report. However, for a public listed companies, the CSR disclosure have become mandatory. It is feared that the lack of reporting standards may lead to CSR disclosures becoming public-relations oriented rather than the actual reporting on the real scenario and CSR practices of the organisations.

All business operations today, including oil and gas industry, have economic environmental and social impacts. The oil and gas industry has been under great scrutiny for causing negative impacts on environment, health, safety, liability, and ultimately these are reputational risks, which have contributed to the understandable ambivalence felt by the general public (Rohweder, 2004). According to Spence (2011), the availability of inexpensive fossil fuels has driven economic growth for more than a century, enabling people to achieve higher standards of living, and feeding the public of oil-rich nations. However, oil and gas production imposes significant costs on society too, including air pollution, oil spills, injuries, and deaths (Tuodolo, 2009). It is also sometimes associated with second order costs such as social dislocation and conflict.

In the past, the oil and gas industry has showcased many efforts not only limited to environmental concern but also to education and social development, and as well as others contributions through CSR initiatives (Rohweder, 2004). These efforts are written in the annual reporting of CSR disclosures in order to convince the stakeholders that the organisations are committed to their social obligation towards the society despite the risk of the business nature. It makes the CSR disclosure an important tool for organisation to convey their CSR agenda to the stakeholders and general public.

Organisations that engaged in CSR may consider various variables, such as the nature of business, organisation and national cultures or social and economic obligations, in deciding which CSR perspective to adopt (Arpan, 2005; Smith & Ward, 2007; Crowther & Aras, 2010). As such, how organisations ultimately conceptualize, implement CSR and report their CSR disclosure may be different between organisations. The report produced will be able to influence the public and stakeholders' perceptions. In this research, the perception towards the organisation developed by readers of the CSR disclosure in annual report is termed as Report-Derived Perception (RDP).

This research is to investigate the existing RDP of CSR disclosure practices of organisations in the oil and gas industry in Malaysia. The research explores how organisations, through the CSR disclosures, set its CSR agenda and influence the report readers' perceptions towards the organisations. Findings will provide an insight on the production of CSR disclosures, not only to organisations but to also policy makers. This in

turn, would have a significant impact on the organisations' performances, values and stakeholders', perceptions.

Underlining the research is the strategic legitimacy theory and the pressure of reporting according to the agenda set by the organisations. Annual reports have always been the medium for communication between organisations and stakeholders and for organisations to have their agenda strategically executed. However, the execution of CSR disclosure comes with a risk of being misinterpreted by the readers of the corporate sustainability report. This research seeks to understand how the organisations use text and signs to influence the perception of readers of their CSR disclosures.

## **1.2 Research Background**

In an attempt to relate corporate social responsibility and business ethics, Epstein (1987) defines CSR as a mechanism that relates primarily to achieving outcomes from an organisation's decisions concerning specific issues or problems which have beneficial effects on pertinent corporate stakeholders. Another author defines CSR as the measure of a company's impacts on the quality of life of its stakeholders (Bloom, 2003) such as actions taken in the interest of society and those which have benefited those who are both inside and outside organisation. This supports the definition by Stanwick and Stanwick (1998) that CSR is based on the legitimacy with society, public responsibility within the organisation and managerial discretion by each individual with the organisation.

As suggested by Carroll (1999), there are four fundamental pillars supporting CSR practice, namely philanthropic, ethical, legal and economic. In fulfilling the organisation's legitimacy, the integration between the philanthropic and economic dimensions of business operations becomes an important business strategy which addresses the concerns of most of its stakeholders such as the consumers, employees, suppliers and non-governmental agencies. While careful attention is given to the integration of the philanthropic and economic dimensions, the legal and ethical aspects of the organisation's business operations are considered to be more predominant factors in the motivation of organisations to engage in CSR activities. Conchius (2006) suggested that legal responsibility of an organisation includes abiding by consumer and product laws, environmental laws and employment laws while also adhering to laws and regulations governing competition in the marketplace.

Although society wishes organisations to be philanthropic, it is voluntary on the part of the organisations. This is supported by Fombrun, Gardberg & Barnett (2000), who argued that, even though, philanthropy may not generate direct economic returns, it will enhance the organisation's long-term competitive position through intangible gains in brand reputation, legitimacy, employee loyalty as well as economic performance. When organisations reports about their CSR, the tendency is to influence perceptions of the readers of the report.

On the other hand, CSR aims to obtain profit in an ethical manner that respects people, community and environment. Hence, in order to become relevant and competitive to

society and industry, CSR disclosures have become significant to an organisation to reach out to its stakeholders and to communicate on the organisations CSR initiatives.

According to Boutin-Dufresne and Sacaris (2004), organisation in a particular industry may be more socially responsible simply by the nature of their activities. This supports the earlier argument by Cottrill (1990) that any investigation of CSR that fails to incorporate industry level realities will be fatally deficient, and later Waddock and Graves (1997) found great differences in CSR disclosure across industries. Subsequently, Simpson and Kohers (2002), whose study concentrated on the banking industry, also argued that differences between industries with regard to CSR are so great that research needs to stick to just one industry.

This research of oil and gas industry in Malaysia is in response to the single industry research motion highlighted by previous scholars. Currently, there has been some 'single industry' research in the CSR area, such as Sachs et al. (2006) who focused their analysis on Orange Communications in Switzerland and found that the firm devoted much attention to employees due to the belief that employees are both benefit and risk providers/receivers. Previously, Moore (2001) focused on the supermarket industry and looked at CSR through stakeholders: employees, customers, shareholders, suppliers, community and environment. Hamid (2004) conducted a content analysis of the Annual Reports of 48 firms in the financial services industry and reported that firms in this industry focus on customers and employees as primary stakeholders. Moore (2001) argued that comparing the social performance of oil company, where environmental and

employee safety issues are likely to be paramount, with a high street retailer in effect makes no sense. Other single industry research includes telecommunication (Giannarakis, 2014; Osemene, 2012); banking (Abd-Hamid & Atan, 2011; Yeung, 2011; Pomeroy & Dolnicar, 2008); small medium enterprise (MacGregor, 2011; M Nejadi, 2012); property (Mohd Aini & Sayce, 2010; Abidin, 2010; Yam and McGreal, 2010). As an industry grows, many of the firms have developed into giant corporations. Thus, there are more for researchers to observe from each individual industry.

Looking at the chosen industry of this research, Frynas (2005) stated that the oil and gas industry has made strong claims to business ethics and CSR which include human rights, employee rights, stakeholder rights, environmental protection, community relations, transparency, corruption, product stewardship, principles and codes of practice. This is because over the last 50 years, the oil and gas industry has been criticised for being monopolistic, taking profits during oil crises and causing accidents with devastating consequences for local environments and human health (Tuodolo, 2009). Since the late 1980s, the scope of responsibilities attributed to the oil industry has expanded to include a broader social agenda, in particular environmental sustainability and human rights (Frynas, 2009).

In Malaysia, the oil and gas industry has significant impact on the national economic growth. The selected organisations for this research are particularly those supplying fuel, which can be important household brands for commercial vehicles. According to the Tenth Malaysian Plan Report published by the Economic Planning Unit of the Prime

Minister Department (2010), the oil and gas industry in Malaysia contributed an economic growth of approximately 13 percent of national GDP (RM68.3 billion) in 2009. Other than local consumption, Malaysia has also exported the majority of its oil to countries such as Japan, Thailand, South Korea and Singapore. However, there's a slight drop in growth in 2011. Figure 1.1 illustrates the production of crude and natural gas in Malaysia. This growth shows that the oil and gas industry is a significant driver for economic and social development. However, an obvious fluctuation in production from year 2010 to 2012 may have triggered changes to the business operations such as a drop in financial allocations for the social agenda or employee benefits. Therefore, significant changes in the production plan provide an avenue to analyse the social performances of the industry. This can be achieved by analyzing the CSR disclosures of the organisations in the oil and gas industry.

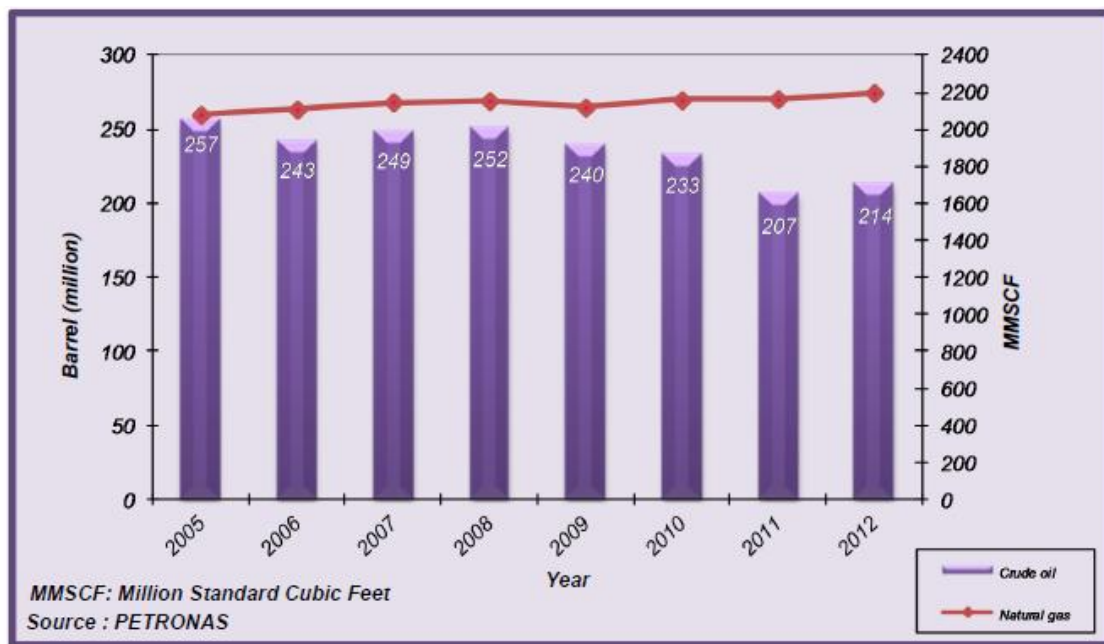


Figure 1.1: Malaysia Crude and Natural Gas Production



(Source: Malaysia Statistical Department, 2014)

Besides providing employment opportunities to the community the oil and gas industry, as one of the main contributor to the country's economy, also provides avenues for organisations to expand their social responsibilities to the community. CSR activities conducted by organisations in the oil and gas industries comprise many elements and address various aspects of social development, encompassing employment, environmental and local community issues. For example, Petronas has contributed a huge amount for the education funds through scholarships and the establishment of its own university, University Teknologi Petronas (UTP) located in Perak, a central state of Peninsular Malaysia.

### **1.3 Problem Statements**

According to Carney (1972), communication has three major components: the message, the sender and the audience. The message should be analysed in terms of explicit themes, relative emphasis on various topics, amount of space or time devoted to certain topics and numerous other dimensions.

Over the years, users of accounting information have demanded more information not only relating to economic activities but also to impact of an organisation's activities on society (Khan et al., 2009). According to the report by US SIF Foundation (2013), sustainable and responsible investors have influenced organisations by building

environmental, social and corporate governance criteria into investment analysis and portfolio construction strategies (<http://www.ussif.org/>). It is further reported that these investors have made a difference by using their active share ownership and engagement strategies with some of the largest global corporations to encourage more responsible and forward-thinking practices.

Therefore, instead of just disclosing financial performances, many organisations are now disclosing their social performances via the stand alone report namely the CSR disclosure. The CSR disclosure (also known as sustainability disclosure) presents an organisations' historical account of its social initiatives and its management's approach towards CSR, in a comprehensive and compact format (Niemark, 1995). As O'Donovan's (1999) suggested, corporate management believe that the annual reporting practice is an effective way for informing and educating the public of the organisation's view about certain environmental and social issues.

The CSR disclosure in Malaysia has evolved due to the requirement of corporate social disclosure for public listed organisations by the government since 2007 (Amran & Siti Nabihah, 2009). Organisations in Malaysia have expanded their annual reporting beyond the traditional reports by incorporating elements of environmental, social, product and employee information (Norhayah & Amran, 2006). According to Thompson and Zakaria (2004) and Amran (2006), research in the area of corporate social reporting indicates that there are tremendous improvements in the way organisations presented their reports.

Organisations are now aware that their CSR initiatives may indirectly reflect real improvements in social performances.

Subsequent to the growing development in CSR reporting, researches on CSR disclosure have been numerous. The majority of them studied the content of the CSR reporting (e.g. Al Naimi et al., 2012; Altintas et al., 2007; Das, 2013; Guthrie and Farneti, 2008; Kabir and Akinnusi, 2012; Moreno and Capriotti, 2009; Perrini, 2005) and the quality of the reporting (Beretta & Bozzolan, 2004; Menassa, 2010) rather than how the content is presented to shape the impression of the company.

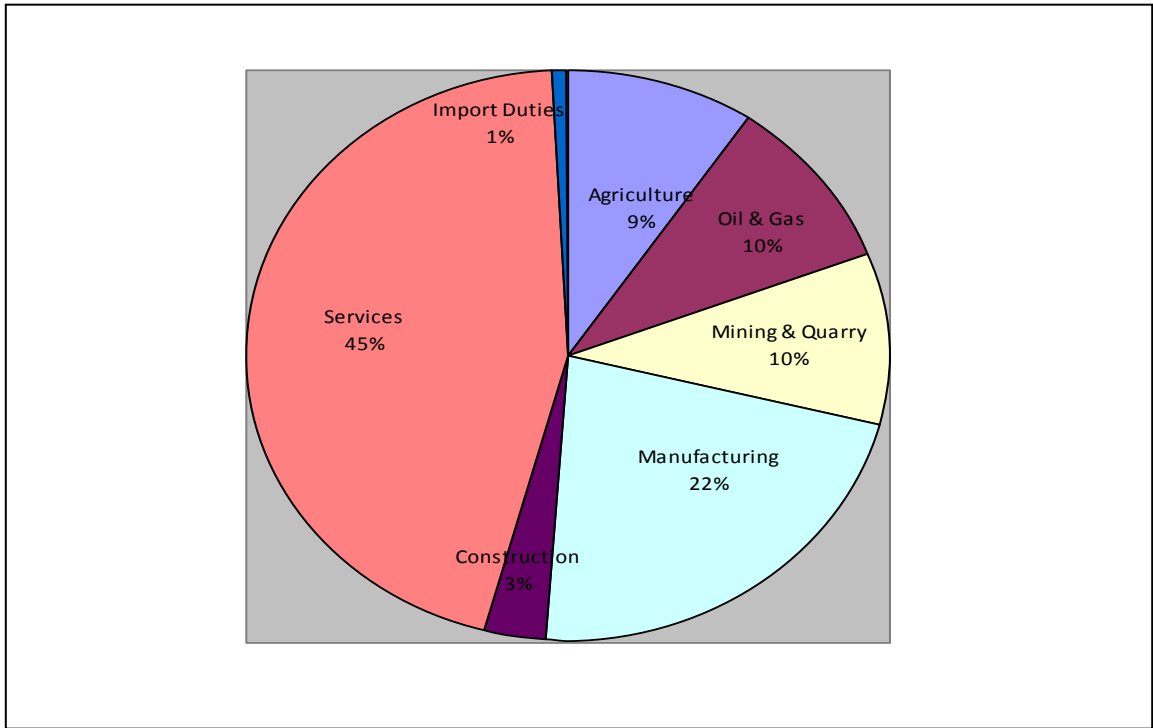
A few other researchers have studied the aspects of how the content of the CSR disclosure were presented, such as the balance between the organisations' favorable and unfavorable information in sustainability reporting (Capriotti, 2007; Gill et al., 2008; Niskanen and Nieminen, 2001) and the CSR reporting framework (Yongvanich & Guthrie, 2006; Mazurkiewicz, 2004; Carlisle & Faulkner, 2004; Hess, 2014). Other related studies includes environmental reporting which examined biases in the quantity of disclosure (e.g., Neu et al. 1998; Patten 1992; Blacconiere and Patten 1994; Clarkson et al. 2008) and in the choice of thematic content of the disclosure (e.g., Cho and Patten 2007; Hughes et al. 2001; Patten 2002). However, the perception development from the CSR disclosure has not yet been thoroughly examined. The CSR agenda set by an organisation through the CSR disclosure can influence the perception towards the organisation and has the ability to change readers perception. This is the gap that this research intended to explore.

Analysing the gap on the perception development research, a few studies were conducted to study the effect of respondent's values on the perception of CSR. In the past, most studies focused on CSR activities conducted by organisations. The area of perception studies includes consumer (Maignan, 2001; Ramasamay & Yeung, 2009; Monday, 2011; Oberseder, Schlegelmilch, Murphy, 2013; Arli & Lasmono, 2010; Stanaland, Lwin & Murphy, 2011), stakeholders (Dilling, 2011; Arenas, Lozano & Albareda, 2009; Tsoi, 2010; Dusuki & Dar, 2007), employees (Lee, Park & Lee, 2013; Rettab, Brik, & Melahi, 2009; Stawiski, Deal & Gentry, 2010), customers (Dutta & Singh, 2013; Hussain, 2013; Perez & Rodriguez, 2013) and media (Tench, Bowd & Jones, 2007; Cho, Phillips, Hageman & Patten, 2009). However, research on reports reader perception is yet to be explored.

This research aims to understand readers' perceptions of organisations through CSR disclosures in multiple dimensions. The report-derived perception (RDP) is developed through textual contents that generate signs, symbols and other indicators derived from the annually produced CSR disclosures. By understanding the perception resulting from its CSR disclosure, an organisation will be able to design the CSR disclosure to be viewed by the report readers as intended by the organisation. The research provides findings to strategic planning of reporting disclosure and how it can influence the readers' perception. The RDP will then lead to a more constructive framework of how to present the in CSR disclosure.

To explore in detail how social commitments are reported in the CSR disclosures, this research has selected the oil and gas industry due to the nature of the business with regards to the substantial elements in CSR practices. CSR activities have been used to address consumers' social concerns, create a favorable corporate image, and develop positive relationships with consumers and other stakeholders. Moreover, as argued by Nelson (2004) consumers are willing to give incentives to socially responsible corporations

The oil and gas industry in Malaysia contributes to 10% of the total GDP (as illustrated in Figure 1.2) in year 2011 indicating its significant contribution to the country. Furthermore, oil and gas is one of the products consumed by the majority of the population. The product is closely related to everyday usage and easily recognised by every household in Malaysia. The portrayal of a good image is thus important for the organisation in term of its economic growth and the marketing of a good brand and image reputation.



*Figure 1.2: Malaysia GDP by Industry (2012)*  
(Source: Malaysia Statistical Department, 2014)

A study by Frynas (2005) has concluded that CSR initiatives are sometimes labeled as mere philanthropy in the western world and do not appear on CSR radar screens, but in many developing countries, the oil and gas industry players are expected to actively assist their local communities. The expectation imposed on the oil and gas industry provides a research gap to be explored as how the industry is performing in the area of CSR contributions and how these efforts are being perceived despite the controversial nature of the industry.

This research is concerned with the extent to which an organisation's social performance is reflected in its social responsibility reporting. Certainly, major environmental catastrophes such as the 2010 British Petroleum oil spill in the Gulf of Mexico did seriously affect oil and gas corporate reputations. However, whether the general levels of

environmental performances have influenced public and stakeholders' perceptions towards the industry is still questionable. Furthermore, whether the CSR disclosure can serve to mediate the effect of the organisations' social performances is an interesting issue to be studied. Cho and Patten (2007) argued that because organisations with worse environmental performance face greater exposures to social and political pressures, they have an incentive to use the CSR disclosure to address these exposures.

#### **1.4 Research Objectives**

This research focuses on single industry that is the oil and gas. The main objectives of this research are as follows:

RO 1: To examine the focus of organisation's CSR initiatives in terms of economic, societal, environmental, legal and ethical commitment through the CEO message and activities in CSR disclosure

RO2: To determine if the organisation's CSR disclosure reflects the actual implementation of its CSR initiatives

RO3: To evaluate the influence of CSR disclosure on report-derived perception (RDP).

RO4: To propose strategic guidelines on developing perceptions through CSR disclosure

#### **1.5 Research Questions**

The research proposes the following questions in support of the objectives as follows:

RQ1: Do the CSR initiatives reflect the organisation's vision?

RQ2: Does CSR disclosure represent the organisation's overall CSR initiatives?

RQ3: Does the CSR disclosure report each initiative equally? What are the highlights of the CSR disclosure?

RQ4: What are the elements that are included in a CSR disclosure? Do these elements sufficiently display the organisation's social responsibility initiatives? Why are these elements chosen?

RQ5: Will the CSR disclosure legitimise the organisation's social responsibility to its stakeholders and the general public?

RQ6: Can CSR disclosure change or influence perception?

## **1.6 Research Significance**

This research can contribute significantly to the existing body of knowledge related to CSR and perception study in theoretical, practical and methodology aspects, as well as to the study of CSR in a specific industry due to the limited literature on CSR studies in developing economies (Hamid et al, 2007; Jamali & Mirshak, 2007, Jamali et al., 2015). Most prior CSR studies examined CSR by various industries instead of focusing on single industry, this research will help to detect some specific patterns of CSR performance that relates to a particular industry (Hamid, 2004; Kong, 2012; Perez et al, 2013). This research will provide additional descriptions on CSR initiatives and disclosure practices in the oil and gas industry in Malaysia.

In terms of conceptual and theoretical frameworks, this research investigates the validity of the legitimacy theory used in the context of CSR disclosure research. The widely used



legitimacy theory in CSR research but rarely being used in communication and media studies is opted in this research to create a greater in depth study of the CSR report derived perception. The cross relations between the need to be legitimate within the operating community and the organisation's CSR agenda reported is being analysed through its communication medium of the annual reporting disclosure.

Of the many attempts made by local researchers in CSR disclosure studies (Thompson and Zakaria, 2004; Amran & Devi, 2007; Amran & Siti Nabihah, 2009), very limited research attempted to dwell on the underlying perceptions and motives that could explain the increase in the number of organisations choosing to disclose their social and environmental activities and impacts. Furthermore, most of these studies referred to literature and theories that reflect foreign experiences, which may be less suitable to explain the Malaysian scenario. In order to address these deficiencies, the present research attempts to explain the local CSR disclosure scenario by analysing local based organisations.

The RDP provides an avenue for organisations to expand their marketing communication strategies through CSR disclosures. Findings from this research will contribute to the study of perception development that will give positive impacts on the organisations economic and social growth.

In addition, these findings would assist organisations to understand the CSR elements which, in turn, help to boost the organisations' efforts and how the CSR disclosures should

be presented to stakeholders. The analysis of the features of the CSR disclosures will provide useful data to gain insights into the realms of strategies in corporate reporting.

Finally from the research findings, suggestions will be made as to what and how the CSR disclosure should be presented with reference to the oil and gas industry in Malaysia. The aim is to create favourable perceptions among the readers which, in return, will create good revenue to the organisations in terms of image and sales.

### **1.7 Research Scope**

This research is designed to cover perimeters of CSR disclosure, the oil and gas industry and the methodology aspect. The sample of organisations in this research covers all the five operators serving petrol and gas in consumer-based market of the oil and gas industry in Malaysia. Oil and gas industry was chosen due to its controversial business nature that has high impacts on society and environment. The research also focuses on single industry in order to support the argument that every industry has its own set of unique data that will lead to different outcomes. The CSR disclosure analysis focuses on intangible non-financial part of the CSR reporting, namely the CEO message and CSR activities reported. The CSR reports used are from year 2010 to 2013. To compare and affirm the researcher's content analysis, some industry seniors were requested to participate in the research. Senior practitioners were selected for this research as they are more experienced and familiar with the reporting of CSR by the organisation. The participants were interviewed

to gain their perceptions of the organisation after giving an exposure to the organisation's CSR disclosure.

## 1.8 Terminology

No.	Terms	Definition
1.	Corporate Social responsibilities (CSR)	<p>CSR is a concept where by organisations integrates social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis (Comission, 2002).</p> <p>CSR is defined as a responsibility of an organisation and the impacts of its decisions and activities on society and the environment through transparent and ethical behaviour that is consistent with sustainable development and the welfare of society; takes into account the expectations of stakeholders; is in compliance with applicable law and consistent with international norms of behaviour; and is integrated throughout the organisation (Honen, 2007)</p>
2.	Sustainability	Meeting human needs in a socially just manner without depriving ecosystems of their health (Vucetich & Nelson, 2010).
3.	Disclosure	The disclosure of information referred to as corporate social disclosure has been identified as one tactic that may enable organisations to influences these perceptions (Dwyer, 2002). In this research, CSR disclosure refers to all reports related to corporate social responsibility or sustainability performance
4.	Perception	The preconditioned image of a particular phenomenon in the mind of an individual or a group of individuals (Gbenga, 2012).
5.	Legitimacy	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 (Suchman, 1995).
6.	Stakeholder	Stakeholders who are having three attributes: power, legitimacy, and urgency which affect not only corporate involvement of stakeholders in their CSR programmes, but also their perceptions of CSR

		performance (Mitchell, Agle, & Wood, 1997).
7.	Conformist	Involved in CSR practice only because “everyone else is” (Tench, Bowd, & Jones, 2007)
8.	Cynic	Perceive organisations, communities, groups and individuals signing up to the CSR agenda for purely self-interested purposes and that real substantive change is limited (Tench, Bowd, & Jones, 2007).
9.	Realist	Recognises that CSR involves self-interest, are comfortable with this and see its potential to transform business, social, economic and other practices for the better (Tench, Bowd, & Jones, 2007).
10.	Optimist	Focus on the positive benefits of CSR for themselves, their communities and their businesses (Tench, Bowd, & Jones, 2007).
11.	Strategic Idealist	Maximise the positive benefits and minimise the negative effects of CSR. They recognise that CSR is about long term and do not see it as a short-term fix (Tench, Bowd, & Jones, 2007).
12.	Initiatives	CSR initiatives address a wide range of issues, including human rights and labour rights, community development, consumer rights, the use of security forces, bribery and corruption, health and safety issues and environmental standards. Other initiatives focus on one or a few of these issues, usually in more depth; and either address issues specific to organisations’ own operations or challenges facing a specific sector (OECD, 2009).

## Summary

This chapter focuses on the background of the study, illustrating the importance of Corporate Social Responsibility (CSR) in general. The chapter later zooms in on crucial issues in term of reporting and perception development by organisations particularly by the oil and gas industry operators in Malaysia. The research objectives and questions illustrate the aim of the research, which examines the CSR initiatives by the organisations and how they were reported. The interactive dimensions between the initiatives and the

CSR report will provide an insight into the study of perception derived from the report. Both can be seen from the management's vision stated in the CEO Message and the activities reported.

This research can contribute significantly to the existing body of knowledge in terms of theoretical, practical and methodological levels. Based on the analysis conducted on the CSR disclosures, areas of reporting that can be improved in order to gain favourable perception could be identified. Following data analysis, suggestions on the CSR reporting suitable for Malaysian organisations can be proposed.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

This chapter presents the literature review of the research. Discussion starts with the development of corporate social responsibility (CSR) and how it emerges globally and in Malaysia. The chapter continues with discussion and updates on the background and practices of CSR disclosures around the world. Discussion includes the development, practices and reporting guidelines that are currently available.

The chapter moves forward to discuss CSR practices in oil and gas industry and the perception of CSR, before presenting information on legitimacy theory which is being applied in this research.

#### **2.0 Introduction**

CSR practices are believed to have significant influences on corporate sustainability (McMillan, 2007), reputation (Worcester, 2009) and image (Arendt & Brettel, 2010). In the business context, CSR has emerged as a form of sustainability governance with advantages to the economic, environment and social progress. In fact CSR is no longer an optional extra to organisations performances in terms of their socially responsible behaviours but has become one of the roles performed by the business world (Lesmana, 2007). CSR initiatives are aimed at encouraging business entities to plan and execute their activities ethically, at the same time minimising negative effects on communities and the environment. Ultimately, these initiatives continue to carry on in gaining economic