

The Case For Reporting Pro-Active Environmental Initiatives: A Malaysian Experiment On Stakeholder Influence Strategies

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Abstract

The purpose of this research is to gain insights on the preferred strategies chosen by various stakeholder representatives to influence management to either provide/not provide environmental disclosures in an experimental setting. A typology of resource relationships and influence strategies is adapted as a framework to make sense of the views presented by various stakeholder representative groups. To facilitate a Malaysian experiment, qualitative interviews with the aid of a hypothetical vignette are conducted to understand how different stakeholder groups go about seeking what they want from the management. The findings in this exploratory study indicate that although the model is useful to understand the influence strategies taken by each stakeholder group, its effectiveness is tempered by the level of significance placed by these groups on the environmental initiative and their perception of how the event will affect their stake on the firm.

Keywords: *Environmental disclosures, stakeholder influence strategy, Malaysia.*

INTRODUCTION

Worldwide surveys show that stakeholder pressures are one of the main drivers for management's increased focus in the area of corporate social and environmental responsibility leading to increased stakeholder consultation in the reporting process (Ernst & Young, 2002;

ACCA, 2005; KPMG, 2005). It is in this regard that stakeholder theory has gained popularity as it offers a useful framework given its basic premise that the firm's success is dependent upon the successful management of its relationship with its stakeholders (Freeman, 1983). Whilst the stakeholder literature is replete with research on stakeholder

attributes and concerns on how to manage them (see for example, Ullmann, 1985; Roberts, 1992; Mitchell, Agle & Wood, 1997; Eljido-Ten, 2007), little is known about how stakeholders demand what they want from the firm (Frooman, 1999). The purpose of this research is to gain insights on the preferred strategies chosen by various stakeholder representatives to influence management to provide/not provide environmental disclosures in an experimental setting.

In this study, a Malaysian experiment is initiated to understand how different stakeholder groups go about seeking what they want from the management. Frooman's (1999) typology of resource relationships and influence strategies is adapted as a framework to make sense of the possible environmental reporting preferences imposed by the stakeholder representatives on the management. To facilitate the experiment, qualitative interviews are conducted with the aid of a hypothetical vignette to gain insights on the possible interplay between the management and various stakeholder representatives from an *ex ante* perspective, that is, the environmental reporting preferences before disclosures are made. The hypothetical vignette features a proactive environmental initiative taken by a prominent publicly listed firm in the banking industry. The findings in this exploratory study indicate that although the model is useful to understand the possible influence strategies taken by each stakeholder group, its effectiveness is tempered by the level of significance placed by these groups on environmental initiative and their perception of how the event will affect their stake on the firm.

This study contributes to the existing body of literature in a number of ways.

Firstly, it contributes to the development of stakeholder theory by extending its application to the means by which stakeholders try to get what they want from the firm particularly when a pro-active environmental initiative is involved. Prior studies feature mainly negative events such as corporate downsizing (Tsai, Yeh, Wu & Huang, 2005), possible threat to ecological balance and human life (Eljido-Ten, Kloot & Clarkson, 2007) and environmental organization's concerns and activism (Hendry, 2005; Frooman & Murrell, 2003, 2005). Secondly, it uncovers relevant insights on how various stakeholder groups demand environmental disclosures from an *ex ante* perspective. Much of previous environmental reporting research provides evidence from an *ex post* perspective (e.g. Wiseman, 1982; Patten, 1992; Al-Tuwaijri, Christensen and Hughes, 2004) thereby excluding the possibility of gaining insights from stakeholder views prior to the disclosure decision. Thirdly, it extends the stakeholder influence strategy analysis to a wide variety of stakeholders. Previous research has focused mainly on one stakeholder group such as environmental leaders/groups (Frooman & Murrell 2003, 2005; Hendry 2005) and employees (Tsai et al 2005). And finally, it brings a perspective from a developing country such as Malaysia into the social and environmental reporting literature.

The motivation for using the Malaysian context is driven by its inherent background in terms of its economic development and strategic vision. Malaysia offers an interesting setting since it is the only developing country with an explicit timeline to achieve the developed nation status by the year 2020 (*Vision 2020*). It is also one of the fastest growing econo-

mies in Southeast Asia. Compared to its neighbouring countries, Malaysia has recovered much quicker from the 1997 Asian financial crisis. Along with rapid economic development, however, Malaysia has been experiencing intensified environmental impact such as the deforestation, erosion, air and water pollution largely brought about by corporate activities such as logging, large scale land development, open burning, mining, power stations and dam constructions (Smith, Yahya & Amiruddin, 2007; Sumiani, Haslinda & Lehman, 2007).

Furthermore, Malaysia has not been immune to environmental disasters such as the 1993 Highland Towers erosion, the 1997 haze crisis (when the Air Pollution Index exceeded the 500 mark) and the 2004 tsunami that hit Penang along with other countries killing more than 200,000 people. Hence, it appeals to intuition that these adverse experiences could create higher environmental awareness on the part of Malaysian stakeholders which could then translate to higher pressure for firms to be more environmentally pro-active and to provide environmental reports. This, however, does not appear to be the case. A case study of Tenaga Nasional Berhad, the largest electricity producer in Malaysia, shows that its management does not see the need to provide environmental disclosures in their annual reports despite its adoption of a number of environmentally-friendly activities. The factors, identified by the management, attributing to non-disclosure include the absence of mandatory requirements, lack of awareness, knowledge and expertise as well as lack of government and public pressure (Abdul Rahman & Ayob, 2005). Given this, the Malaysian context offers a fertile ground for an investiga-

tion on the reporting preferences of various stakeholder groups and how they go about demanding what they want from the management particularly when a pro-active environmental initiative is concerned.

The remainder of the paper is organised as follows. The next section provides a brief overview of the literature on corporate social and environmental disclosures leading to the introduction of the framework. An explanation of the research methodology employed is provided next followed by the discussion of results and further analysis. Finally, the concluding comments are provided.

LITERATURE OVERVIEW: MALAYSIAN ENVIRONMENTAL REPORTING

As more compelling scientific evidence link climate change and global warming to the activities inherent in commercial industrialisation, conventional wisdom would suggest that environmental reporting will continue to increase particularly if stakeholders' demand for these disclosures increased. Indeed, a number of studies provide evidence that stakeholder pressures are on the rise. Ernst and Young's study of 147 of the Global 1000 companies shows that majority of the key drivers for the management's increased focus in corporate social responsibility (CSR) are stakeholder-related:

Surveyed companies identify five key drivers as influencing the increasing business focus on CSR ... These five drivers are: greater stakeholder awareness of corporate ethical, social and environ-

mental behaviour; direct stakeholder pressures; investor pressures; peer pressures and an increased sense of social responsibility ... (Ernst and Young, 2002, p. 6)

Likewise, a survey of the world's largest 250 companies reveals that, apart from the Global Reporting Initiative (GRI) guideline, stakeholder consultation is commonly used as the basis for CSR report content (KPMG, 2005).

One of the most commonly used vehicles to inform the public of the firm's social and environmental accountability is the annual reports (Wiseman, 1982; Neu, Warsame & Pedwell, 1998; Cormier, Gordon & Magnan, 2004). Although much of the financial information is mandated, today's annual reports contain more voluntary information than before (Anderson & Epstein, 1995). Social and environmental accounting researchers around the world appear to agree that environmental reporting in annual reports and other communication media has increased over time (Patten, 1992; Gray, Kouhy & Lavers, 1995; KPMG, 2002, 2005; Eljido-Ten, 2007).

Studies focusing on Malaysian environmental reporting, however, have not appeared in the literature until the turn of the millennium. In a study conducted by the Environmental Resources Management Malaysia (ERMM, 2002), the analysis of annual reports and stand-alone environmental reports of companies listed in the Kuala Lumpur Stock Exchange (KLSE) shows that environmental reporting is not widely practised in Malaysia. The report, however, highlights an increase in environmental reporting, albeit minimal:

The number of reporting companies grew from 25 in 1999, to 35 in 2000, reaching 40 companies by 2001. This represented 5.3%, 7% and 7.7% of the KLSE main board listed companies in 1999, 2000 and 2001 respectively. (ERMM, 2002, p. 8).

Another descriptive study (Thompson and Zakaria, 2004) confirms that Malaysian environmental reporting is still at its infancy and that majority of environmental disclosers are large companies with seven of the top 10 companies providing mostly general policy statement accompanied by some unsubstantiated declarative statements.

There is, however, an increase in the number of studies examining the motivations behind Malaysian environmental disclosures using different theoretical perspectives. Adopting the contracting and political cost perspective, Ahmad, Hassan and Mohammad (2003) examine the voluntary annual report environmental disclosures (AREDS) of 299 KLSE-listed companies using logistic regressions. Their results suggest lack of support for the general hypothesis that firms voluntarily disclose environmental information to mitigate contracting and political costs. They attribute this result to the "argument that the commonly held theoretical framework of principal-agent relationship may not hold in the Malaysian context" (p.85). On the other hand, Ahmad and Sulaiman (2004) employ legitimacy theory in their study of KLSE Main Board listed companies from the construction and industrial products sectors. Using quantitative analysis, their results provide limited support for legitimacy theory given the very low level of disclosure. This implies that there is no

serious attempt on the part of the companies to appear legitimate to society.

Three recently published Malaysian studies (Yusoff, Lehman and Nasir, 2006; Sumiani, Haslinda and Lehman, 2007; Smith, Yahya and Amiruddin, 2007) adopt no specific theoretical model. In examining the AREDs of top 50 companies listed in KLSE, Yusoff, et al (2006) use the qualitative method of content and discourse analysis. Consistent with the findings by KPMG (2005), their analysis shows that “majority of disclosures made were around the motive of stakeholders’ concern” (p. 140). Sumiani, et al (2007) also examine the disclosures made by top 50 Malaysian public companies to explore the reporting behaviour of ISO-certified companies. They find that 13 companies are ISO14001 and all provide some form of environmental disclosure in their annual reports. Smith, et al (2007) concentrate on the disclosing companies identified by the ERMM (2002) study in an attempt to find whether relationships exist between environmental disclosures and certain corporate characteristics. Of the explanatory factors examined, only financial performance is found to be significant. However, contrary to expectation, it is negatively associated with disclosures prompting their conclusion that “environmental reporting practices in Malaysia appear to differ from those elsewhere, which may be partly attributable to the maturity of reporting process” (p. 195).

The Malaysian studies reviewed highlight a number of important points. First, although environmental reporting in Malaysia is still very limited, majority are driven by stakeholder concerns (Yusoff et al, 2006). Second, previous Malaysian

quantitative studies (Ahmad, et al, 2003; Smith, et al, 2007) seem to suggest that some expectations from the variables directly derived from developed-country studies may not hold true in Malaysian context. Third, the theoretical frameworks used in previous studies (Ahmad et al, 2003; Ahmad & Sulaiman 2004) achieve limited support. It is in this light that the adoption of stakeholder theory using exploratory qualitative method is deemed appropriate in this study.

THEORETICAL FRAMEWORK: STAKEHOLDER INFLUENCE STRATEGIES

The term stakeholder is originally introduced by Stanford Research Institute (SRI) to refer to those groups without whose support the organisation would cease to exist (Freeman 1983). In developing stakeholder theory, Freeman (1983) introduces the stakeholder concept in two models: (1) a business planning and policy model; and (2) a corporate social responsibility model of stakeholder management. In the first model, the focus is on developing and evaluating the approval of corporate strategic decisions by groups whose support is required for the firm’s continued existence. The stakeholders identified in this model include the owners, customers, public groups and suppliers. Although these groups are not adversarial in nature, their possibly conflicting behavior is considered a constraint on the strategy developed by management to best match the firm’s resources with the environment. In the second model, the corporate planning and analysis extends to include external influences which may be adversarial to the firm. These adversarial groups may include the regulatory bod-

ies, environmentalist and/or special interest groups concerned with social issues. The second model enables managers to consider a strategic plan that is adaptable to changes in the social demands of non-traditional stakeholder groups.

Corporate environmental responsibility is one area in which much community awareness has developed given the increasing manifestations of the effects of global warming, deforestation, air, land and water pollution. As proposed by stakeholder theory, this increased level of environmental awareness creates the need for companies to include non-traditional stakeholders like the regulatory adversarial groups in their corporate plans to adapt to changing social demands. The literature hints that companies provide disclosures voluntarily for various reasons (Gray & Bebbington, 2001; Buhr, 2007), most of which could be related to satisfying various stakeholder groups including adversarial stakeholders. Furthermore, given that majority of Malaysian environmental disclosures are motivated by stakeholders' concerns (Yusoff et al, 2006) and the increasing need to get the stakeholders involved in the reporting process worldwide (KPMG, 2005), stakeholder theory offers a useful framework for this study but perhaps not in the conventional way it has usually been adapted.

The notion of 'successful management' appears to have been taken mostly from the management's perspective; hence, much of the early development in stakeholder theory has focused on stakeholder attributes and concerns on how to manage them. As a result, there is a scarcity of literature addressing the question: "how will the stakeholders try to get

what they want from the firm?"

Frooman's (1999) typology of influence strategies, which borrows heavily from resource dependence theory, is used to extend the development of stakeholder theory that accommodates the view from the stakeholders' perspective. The basic premise central to resource dependence theory is that an entity's need for resources provides opportunities for others to control the firm. Power is a central theme in the argument because the nature of the relationship is determined by who is dependent on whom and how much. Frooman explains that operationalising power under resource dependence theory is quite different. He quotes Pfeffer and Salancik (1978):

For the dependence between two organisations to provide one organisation with power over the other, there must be asymmetry in the exchange relationship (p. 53) ...Power, thus, is defined in relative terms, that is, A has power over B if B is more dependent on A relative to A's dependence on B (p. 196).

Drawing from this power relationship, two types of resource control strategies are suggested: (1) **withholding strategies** - defined as those where stakeholders discontinue providing a resource to a firm with the intention of making the firm change a certain behaviour; and (2) **usage strategies** - those in which the stakeholder continues to supply a resource, but with strings attached, i.e. some conditions must be met. Frooman and Murrell (2003; 2005) later labelled 'withholding' as **coerce** and 'usage' as **compromise** strategies.

Figure 1: Typology of Resource Relationships and Influence Strategies

		IS THE STAKEHOLDER DEPENDENT ON THE FIRM?	
		NO	YES
Is the firm dependent on the stakeholder?	NO	P1 : When the relationship is one of LOW INTERDEPENDENCE , the stakeholder will choose indirect-withholding strategy to influence the firm.	P2 : When the relationship is one of FIRM POWER , the stakeholder will choose indirect-usage strategy to influence the firm.
	YES	P3 : When the relationship is one of STAKEHOLDER POWER , the stakeholder will choose <i>direct-withholding</i> strategy to influence the firm.	P4 : When the relationship is one of HIGH INTERDEPENDENCE , the stakeholder will choose <i>direct-usage</i> strategy to influence the firm.

Source: Adapted from Frooman (1999, p.200)

Another source of power is one that comes from relationships with others who supply resources to a focal firm. While some stakeholder groups do not have the power to use either *withholding* or *usage strategies*, they could form an alliance with other stakeholder groups with whom the focal firm has a dependence relationship. Frooman identifies this concept as types of influence pathways which he divides into two: (1) *direct pathways* – those in which the stakeholder directly manipulates the flow of resources to the firm; and (2) *indirect pathways* – those where a stakeholder works in concordance with a principal despite not having formal relationships with the focal firm. Note that both types of influence pathways could use either *withholding* or *usage strategies*.

Finally, Frooman introduces a typology of resource relationships based on the powerdependence relationship between the firm and the stakeholders. Four types of relationships are observed: (1) *low interdependence* – when neither the firm

nor the stakeholder are dependent on each other; (2) *high interdependence* – when both the firm and the stakeholder are dependent on each other; (3) *stakeholder power* – when the firm is dependent on the stakeholder; and (4) *firm power* – when the stakeholder is dependent upon the firm. The last two relationships show power asymmetry.

Appealing to these characterisations, Frooman's typology of resource relationships and influence strategies suggests four propositions relating to the choice of pathway (direct or indirect) and strategy (withholding or usage). The choice of pathway-strategy combination is conditional on the power dependence relationship between the firm and the stakeholders. These propositions are shown in Figure 1.

A number of studies have adopted Frooman's model. For example, Frooman and Murrell (2003, 2005) used experimental approach with the aid of hypothetical vignettes to solicit responses from actual environmental lead-

ers regarding events with negative impact, e.g. recycling used car batteries in a developing country that has no environmental regulations. Hendry (2005) conducted interviews with 28 representatives of four environmental organisations to understand why they choose particular types of strategies to influence firms to change. And Tsai, et al (2005) used the model to understand the employees' actions of 18 Taiwanese firms involved in business downsizing.

Whilst these studies provide some empirical support to the usefulness of the model, what is clear from prior research is that the model has not been used in the context of environmental reporting. Furthermore, the use of the model has been restricted mainly on negative events thereby limiting the possibility of gaining insights from stakeholder preferences when a pro-active environmental event is involved. It is also evident that the use of the model has so far been restricted to a few stakeholders such as environmental leaders/groups (Frooman & Murrell 2003, 2005; Hendry 2005) and employees (Tsai, et al, 2005). What is lacking is an attempt to extend the analysis to a wide variety of stakeholders.

This study addresses these gaps in the literature. Frooman's model is adapted as a framework to make sense of the power-dependence relationships between the stakeholder groups and firm management. In order to apply the propositions in the context of environmental disclosure demand, there is an important underlying assumption, that is:

The stakeholder's perception of how the environmental event will affect their

stake on the firm AND the firm management/stakeholder interdependence structure WILL determine whether or not they will demand environmental disclosure.

Hence, in extending the application of Frooman's (1999) typology in the field of environmental disclosures, **Propositions P1 to P4** will apply, if and only if, there is a perceived demand for environmental disclosure. Furthermore, although Frooman's typology is useful to analyse possible strategies which stakeholders may adopt to demand environmental disclosures from the firm, it is clear that the 'withholding' strategy assumes that the event or issue has a negative connotation necessitating pressure from the stakeholder/s to withhold or even withdraw a critical resource. The typology, therefore, is not entirely suitable when the focal event has a positive environmental impact. Hence, for this study, the propositions are slightly modified to replace the 'withholding' strategy with 'promoting' strategy. The rationale for this is clear - those stakeholders who can see the value of environmentally friendly practices adopted by the firm are not likely to even consider withholding their support because of non-disclosure. Instead, they might even 'promote' this event either directly or indirectly. Therefore, the four propositions emanating from the modified framework are restated as follows:

P1: If the stakeholder/s place high significance to the **proactive** environmental initiative and their relationship with the firm is that of '**LOW INTERDEPENDENCE**', the stakeholder/s will adopt **indirect promoting strategy** to demand environmental disclosures.

P2: If the stakeholder/s place high sig-

nificance to the **proactive** environmental initiative and their relationship with the firm is that of '**FIRM POWER**', the stakeholder/s will adopt **indirect usage strategy** to demand environmental disclosures.

P3: If the stakeholder/s place high significance to the **proactive** environmental initiative and their relationship with the firm is that of '**STAKEHOLDER POWER**', the stakeholder/s will adopt **direct promoting strategy** to demand environmental disclosures.

P4: If the stakeholder/s place high significance to the **proactive environmental initiative and their relationship** with the firm is that of '**HIGH INTERDEPENDENCE**', the stakeholder/s will adopt **direct usage strategy** to demand environmental disclosures.

These propositions are consistent with resource dependence theory in that the level of interdependence between the firm and stakeholder plays a significant role in the choice of strategy used. For example, when the firm has a low level of dependence on the stakeholder (as in *P1* and *P2*), the firm does not need to be responsive to the stakeholder's demands, leaving the stakeholder no choice but to find an ally to *indirectly* influence the firm. On the contrary, when the firm depends heavily on the stakeholder for survival, the stakeholders will have no hesitation to express their demands *directly* to the firm (as in *P3* and *P4*).

RESEARCH METHODOLOGY

The previous section revealed that while resource dependence theory and stakeholder influence strategies may provide

a useful framework for an examination, the processes involved in selecting these strategies are still not very much understood. Inductive methodologies like qualitative interviewing techniques are generally favoured for this type of exploratory research primarily because the choices of strategies are mainly subjective.

Research Design and Methods

This study is organised into two phases. The first part is the pilot phase aimed at exploring how Frooman's model can be used in Malaysian context given that little is known about how Malaysian business psyche may affect business decisions. This phase used both secondary (website perusal and relevant news articles using Factiva database) and primary data in the form of unstructured/semi-structured qualitative interviews. *Qualitative interviews* is the preferred term to distinguish this method from the highly structured line of questioning normally used in survey research (Rubin & Rubin, 2005). Since the responses provided by the participants in this phase are triangulated against secondary data gathered from media and website releases, five interviews are considered sufficient.

The insights gathered from this phase provide the platform for the identification of the salient stakeholders. Mitchell, Agle and Wood's (1997, p.873) stakeholder salience typology propose that "stakeholder salience will be positively related to the cumulative number of stakeholder attributes – power, legitimacy, and urgency – perceived by managers to be present". Although, it is not the purpose of this research to directly test this proposition, the typology is useful in identifying the salient stakeholders

to be included in the main phase of this study.

In line with Frooman and Murrell (2003, 2005), the main phase adopted an experimental approach using a hypothetical vignette to solicit the views of the interviewees representing a wide array of stakeholders identified from the pilot phase. A structured interview questionnaire is designed to include both closed and open-ended questions (see the Appendix). Given that the questionnaire asks for the informant's opinions and reactions regarding the chosen environmental issue/event, it is considered important not to select the participants randomly. A number of authors argue that qualitative samples tend to be purposive rather than random (Kuzel, 1992; Miles & Huberman 1994). Hence, the participants are chosen based on the criteria that, at least, each can represent the stakeholder groups identified in the pilot phase and most importantly, that their current/previous positions and experience would allow them to provide realistic responses to the hypothetical questions asked. Snowball sampling (Patton, 1990) is used since this approach is useful for locating information-rich key informants. Initially, the names/contact details of prospective participants are taken from relevant company websites and from recommendations of the investigator's former colleagues. Once contacts are established, the participants introduced other prospective informants.

Another fifteen interviews are conducted in the main phase. Kvale (1996, p.101) notes that, in designing an interview study, it is important to "interview as many subjects as necessary to find out what you need to know... in current interview studies, the number of inter-

views tends to be around 15 +/- 10." Most of the interviews are conducted in Malaysia in 2005. As all the targeted stakeholder groups are represented and given the time and geographic constraints, 15 interviews are considered sufficient in the main phase of this exploratory study.

Analysis Techniques

Analysis for the unstructured/semi-structured qualitative interviews in the pilot phase is done in two stages. In the first stage, all the interviews are transcribed word-for-word. Then in the second stage, the transcripts are analysed. Memoing is used to summarise the responses and to tie together different pieces of data into clusters of recognisable concepts. *Memoing* is a data reduction analytical technique that allows the researcher to write 'memos' to self summarise the responses and to identify recurring themes (Miles & Huberman, 1994, p.72). The primary data are supplemented with secondary data from news reports/relevant websites.

In the main phase, the responses to the closed and open-ended interview questions are separately analysed. Responses to the closed interview questions are tabulated. Then, quantitative techniques such as weighting and ranking are used. On the other hand, responses to the open-ended interview questions are fully transcribed and the qualitative techniques of 'question-by-question matrix' and 'memoing' are used. Both the quantitative and qualitative analyses are linked using a 'conceptual matrix' or a 'pattern matching' technique. Miles and Huberman (1994, p. 127) explain that a *conceptually clustered matrix* has "its rows and columns arranged to bring to-

gether items that “belong together.” This outcome can happen in two ways: *conceptual* – the analyst may have some *a priori* ideas about items that derive from the same theory or relate to the same overarching themes; or *empirical* – during early analysis you may find that informants answering different questions are tying them together or are giving similar responses”. These techniques are useful in conducting qualitative studies.

RESULTS AND DISCUSSION

Identification of Relevant Environmental Issues and Stakeholders

The qualitative interviews and the perusal of relevant media/website reports point to a number of significant environmental issues that are specific in the Malaysian setting. For example, the popular media (New Straits Times via Factiva) highlights a number of environmental issues such as:

- Toxic wastes and chemicals used by companies destroying the ecological balance;
- Health risks due to rampant air pollution arising from toxic wastes and forest fires;
- Push for companies to adopt environmentally-friendly technology and practices.

Given that the purpose in this study is to gain insights on stakeholder reporting preferences when pro-active environmental initiative is involved, attention is focused on the third environmental issue. Hence, a hypothetical vignette containing an environmental event that simulates the popular media coverage on environmentally-friendly technology and

practices is formulated. The vignette features a firm in the banking industry which promotes sustainability and socially responsible initiatives. The focal event is the investment on a ‘state of the art’ technology that enables recycling, reduction of waste and energy consumption. Details of the vignette are shown in the appendix.

Another important aspect of the pilot phase is the identification of the salient stakeholders. The stakeholder literature hints that while there could be an infinite number of stakeholders ‘out there’, a coalition analysis (Freeman, 1983; 1984) would suggest that certain stakeholders can be grouped together as they may have similar demand/stake on the firm. Utilising Mitchell, et al’s (1997) typology characterised by the attributes of *power*, *legitimacy* and *urgency*, a list of the stakeholder groups commonly referred to by the respondents in the pilot phase is collated. The groups identified consist of both primary and secondary or adversarial stakeholders. The primary stakeholders include the long-term creditors, customers, suppliers, employees, relevant government agencies and the shareholders. It is decided to split the shareholder stakeholder group into two: major shareholders and minor shareholders, since it is conceivable that the two groups are able to exert their power on the firm in different manners. The secondary stakeholder groups identified by the respondents include the media and the environmentalists.

Establishing Power-Dependence Relationship

Part I of the structured interview questionnaire (see the Appendix) starts by asking the participants to provide gen-

eral information like their current/previous position and the type of stakeholder they are most likely to be classified based on their past/current experience. They are also asked to rank the stakeholder groups identified from the pilot phase in the order of their perceived relevance to the company's survival with 1 being the most important and 9 being the least important. The purpose here is to understand the respondents' perceived power-dependence relationship between the stakeholders and the management.

It appeals to intuition that the higher the mean ranking is (i.e. closest to 1), the more probable it is for that stakeholder group to exert their power over the firm (i.e. **stakeholder power**) given that these groups are most important to company survival. In the same token, the lower the mean ranking is (i.e. closer to 9), the less probability there is for that stakeholder group to have influence over the firm suggesting **firm power**. This ranking analysis, however, is not likely to give an indication as to whether there is perceived **high/low interdependence**. Thus, a follow-up open-ended question asking the respondents to elaborate on their reason for ranking is necessary to establish the perceived potential of the stakeholder to threaten or cooperate with the firm. An analysis of the stakeholder's threat and cooperation potential is likely to give an indication on the perceived level of interdependence between the firm and the identified stakeholder groups.

Table 1 shows the overall mean ranking and qualitative findings summary. The last column shows the established power-dependence relationship based on the findings from the conceptual matrix

and pattern matching analyses conducted. Note that despite the major shareholders (MJS) being perceived to be the most important stakeholder group to company survival (ranked 1), the relationship established is one of **high interdependence**. This is because their potential to threaten firm survival is *neutralised* by their high cooperation potential. The major shareholders, by virtue of their substantial investment, are dependent on the firm for their capital growth. However, the firm is equally dependent on them for funding. Despite the lower ranking (ranked 4) for long-term creditors (LTC), the same rationale applies for companies highly dependent on long-term debt for funding.

In the absence of any urgent event, adversary stakeholders like the media (MED) and environmentalists (ENV) virtually have neither power nor legitimate claim against the firm, i.e. their potential to threaten or cooperate with the firm is generally low. As confirmed by the low ranking of MED and ENV (shown in Table 1), the firm does not depend on them for survival, hence the relationship is expected to be one of **low interdependence**.

While the customers (CUS) and the relevant government agency (RGA), to a certain extent, may depend on the firm for various reasons such as the supply of goods/service (for CUS) and socio-economic progress (for RGA), the analysis shows that the firm is dependent on these groups more than they are to the firm, i.e. **stakeholder power**. This is because of the stakeholder's ability to threaten the firm's existence in terms of lost business (for CUS) as well as penalties, sanction or even closure (for RGA).

Table 1: Summary of Power-Dependence Analysis

Stakeholder Group	Overall Mean Ranking	Qualitative Findings Summary: Analysis of Threat/Corporate Potential <i>Shown in brackets [] are interviewee number</i> <i>LEGEND: LO – Low; ME – Medium, HI - High</i>	Power-Dependence Relationship Established
MJS	1 (2,30)	POTENTIAL FOR THREAT (PT) δ HI POSSESS CONTROL & POWER TO MAKE DECISIONS [6,8,11,13,16,17,20] POTENTIAL FOR COOPERATION (PC) δ HI BECAUSE OF CAPITAL INVESTMENT [15,20]	High Interdependence: -both the potential to cooperate and threaten the firm are equally high.
CUS	2 (3,36)	POTENTIAL FOR THREAT (PT) δ HI WITHOUT CUSTOMERS SUPPORT, THE COMPANY CAN'T SURVIVE [10,14,16,18,19] POTENTIAL FOR COOPERATION (PC) δ LO DEPENDENT ON HOW MUCH THE CUSTOMER RELY ON THE FIRM BUT GENERALLY LOW BECAUSE OF COMPETITION [10,14,19]	Stakeholder Power -highly important for firm survival with high threat potential and low potential to cooperate.
EMP	3 (4,20)	POTENTIAL FOR THREAT (PT) δ LO to HI HIδ Employee skills/services are vital [12,16] MEδ Employee skills/dedication is needed [19] LOδ Employee generally have not say.....[18] POTENTIAL FOR COOPERATION (PC) δ HI POTENTIAL (FINANCIAL) SUCCESS IS CRUCIAL TO EMPLOYEES JOB SECURITY [8,14,18]	Firm power -although quite highly ranked; Malaysian employees are more likely to cooperate than to threaten firm survival.
LTC	4 (4,67)	POTENTIAL FOR THREAT (PT) δ LO to HI NOT ALL COMPANIES DEPEND ON LTC BUT MANY DEPEND ON BANKS FOR FUNDING; POSSESS POWER TO RETRACT FUNDING [11,18] POTENTIAL FOR COOPERATION (PC) δ LO to HI COMPETITIVE INVESTMENT & L-TERM RELATIONSHIP [11,15]	High Interdependence -for companies relying more on LTC, both potential to cooperate and threaten will be high.
RGA	5 (4,77)	POTENTIAL FOR THREAT (PT) δ HI DEPENDING ON THE INDUSTRY [8], POSSESS PUNITIVE & OTHER POWER; COULD STOP COOPERATION IF NECESSARY [13,16,18,20] POTENTIAL FOR COOPERATION (PC) δ LO to HI POLICIES CAN PROVIDE CONDUCIVE INVESTMENT CLIMATE TO ASSIST THE COMPANY	Stakeholder Power -despite low to high potential to cooperate, their sanction and punitive power is enough to threaten company survival.
SUP	6 (5,43)	POTENTIAL FOR THREAT (PT) δ LO BECAUSE OF BUSINESS OPPORTUNITY & COMPETITION [14,15,18,19] POTENTIAL FOR COOPERATION (PC) δ HI MUTUAL BUSINESS RELATIONSHIP NECESSITATES SUPPLIER COOPERATION [17,18,20]	Firm Power -given the low ranking and low threat potential but high cooperation potential.
MIS	7 (5,57)	POTENTIAL FOR THREAT (PT) δ LO POSSESS NO POWER INDIVIDUALLY; CAN'T MAKE DECISION [8,16,20] POTENTIAL FOR COOPERATION (PC) δ LO to HI CAPITAL INVESTMENT CAN BE EASILY LIQUIDATED [8,9]	Firm Power -given the low ranking and low threat potential but high cooperation potential.
MED	8 (6,77)	POTENTIAL FOR THREAT (PT) δ LO to HI MEDIA COULD PLAY A ROLE BUT NOT SO POWERFUL BECAUSE IT'S GOVERNMENT-CONTROLLED [3] [15] [18] [19] [20] POTENTIAL FOR COOPERATION (PC) δ LO to HI DEPENDING ON POLITICAL CONNECTIONS [18] [15] [19]	Low Interdependence -without any urgent issue, threat and cooperation potential are both low.
ENV	9 (7,77)	POTENTIAL FOR THREAT (PT) δ LO to HI δCould create a lot of trouble for company if there is a need [20] POTENTIAL FOR COOPERATION (PC) δ LO to HI δDEPENDING ON WHETHER THE COMPANY ADOPTS ENVIRONMENTALLY FRIENDLY PRACTISE OR NOT [11,15,16,18,19,20]	Low Interdependence -without any urgent issue, threat and cooperation potential are both low.

LEGEND: **MJS** – major shareholder; **CUS** – customers; **EMP** – employees; **LTC** – long term/major creditors; **RGA** – relevant government agency; **SUP** – supplier; **MIS** – minor shareholder; **MED** – media; **ENV** – environmentalist.

Finally, the employees (EMP), suppliers (SUP) and minor shareholders (MIS) are found to fall under the **firm power** relationship since they are more likely to depend on the firm for their survival than vice versa. Generally in a highly competitive market, the suppliers need the firm more because it is easy for the

firm to find another supplier. Moreover, in the Malaysian setting, the employees (EMP) and minor shareholders (MIS), rarely exercise their prerogative to question management decisions. Thus, the power lies mainly with the firm management. Although the above discussion may appeal to intuition, without a par-

ticular event that could change the power/interdependence relationships, the analysis is incomplete. This is where Part II of the questionnaire is deemed useful.

Perceived Significance of the Event

In order to understand management/stakeholder behaviour, the literature hints that there is a need to 'feel and see' the world from their perspectives. Freeman (1984) suggests that role playing is an effective way to synthesise and fully understand the objectives and beliefs of particular stakeholders. Role playing, however, can only be effective if the participants have some first-hand knowledge of the role they are playing from their own experience. This is why it is considered crucial for this research that participants are chosen on the basis of their exposure to Malaysian business environment and on the presumption that their current/previous position enables them to represent the stakeholder groups identified.

Hence, in Part II of the questionnaire, the interviewees are asked, after reading the hypothetical vignette, to assume the role of the stakeholder they are most likely to be associated with given their previous/current professional experience. They are then asked how significant the featured event is to them, on a scale of 1 (Extremely Significant) to 5 (Not Significant), in deciding whether to provide continued support to the company. They are also asked to elaborate their reasons for providing such significance level. The purpose here is to elicit the respondent's perception on how *urgent* the environmental issue/event is to them.

The analysis shows that 8 out of 15 respondents consider the featured event to be between Very Significant (2) and Significant (3). On average, however, the results suggest that the perceived urgency of the event is relatively low with mean average of 3.33 indicating somewhere between Significant to Moderately Significant. Furthermore, none of the stakeholders represented consider the event to be Extremely Significant (1), whilst 4 perceive the event to be Not Significant (5) at all.

It appears that pro-active environmental initiatives are not given much kudos as indicated in the following comments:

...here in Malaysia, it's quite common that when you're doing well, you won't get much attention. If you're doing pretty badly ... then you get the attention... [Interviewee 7]

In Malaysia, it's very much profit-oriented ... It doesn't work... [Interviewee 8]

I think in our environment here, this [environmental] event is not significant... What they care is just making profit - the bottom-line. [Interviewee 9]

The above sentiments are shared by the majority of the respondents like Interviewees 12, 14, 15, 16, 18 and 19 who expressed their belief that because Malaysian environmental awareness is generally low, the local customers and employees would less likely find this event very high in their priority list. The local customers and the employees are the closest representatives of the Malaysian public in this study.

Demand for Environmental Disclosures

The purpose in Part II Questions 2 (Q2) and 3 (Q3) is to understand whether there is a demand for environmental disclosures from each stakeholder representatives concerning the featured event. Question 2 aims to solicit the participants' Annual Report environmental disclosures (AREDS) preference while Question 3 asks if they are likely to demand environmental disclosures in other ways of communication. Of the 15 respondents, only two—a minority shareholder and a local customer representative [Interviewees 18 and 19] - will not-demand AREDS. The implication is such that while pro-active environmental event is not given the highest priority, there is a demand from various stakeholders for this event to be disclosed in the company's Annual Report. When Interviewees 18 and 19 are asked to explain why they will not demand AREDS, the necessity for government regulation is raised:

You see the problem is, there is no statutory requirement to provide this type of disclosure... I reckon, as long as the government will not make a legal requirement to do so, I don't think many companies will bother to provide voluntary disclosure. [18]

I think at the end of the day, one depends on the government to drive the environmental issues. In the Malaysian context, a lot depends on the government to take that leadership role. [19]

Furthermore, in response to Q3, all but three of the respondents prefer to see this event featured in other ways of com-

munication with press conference/release as the most preferred medium followed closely by some form of internal communiqué such as newsletters, emails and memos. Of the 3 respondents who expect not to receive disclosures from other means, one represents the local customer [Interviewee 19], while the other two include a representative from the media [Interviewee 15] and the environmentalist [Interviewee 17]. When asked to explain why they would not expect the firm to provide disclosures through other means, their comments are:

I'm taking the stand that I am not a good corporate citizen which means I'm not really interested with pro-active environmental initiatives. [19]

It's already good, there's no need to promote. It's just like having a good programme, it will sell by itself. [15]

Honestly, I really wouldn't bother whether the company do it or not [i.e. provide 'other' disclosures], I will still support this company. [17]

Although the response provided by Interviewee 19, once again, confirms earlier comments on low environmental awareness, the explanations offered by Interviewees 15 and 17 give an entirely different view, that is, not demanding disclosure does not tantamount to non-appreciation of the company's pro-active environmental efforts. Hence, it is clear that direct answers provided to questions pertaining to environmental disclosure demand are not sufficient. The answers to the open-ended questions asking them to elaborate on their reasons provide a rich data source for further analysis.

Table 2: Summary of Responses

INTERVIEW NUMBERS	13	18	10	11	16	8	9	19	20	7	14	12	15	6	17
STAKEHOLDER	MJS	MIS	LTC	LTC	RGA	EMP	EMP	CUS	CUS	SUP	SUP	MED	MED	ENV	ENV
Q1-Perceived significance of featured event	5	3	4	2	2	5	5	5	2	3	2	2	4	2	4
Q2-Will demand AREDs?	Yes	No	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Q3-Will demand disclosure elsewhere?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	No	Yes	No	No
Q4-Preferred Action	b	a	b	b	c	b	a	a	c	b	b	c	c	c	c
Legend Stakeholder	MJS – major shareholder; CUS – customers; EMP – employees; LTC – long term/major creditors; RGA – relevant government agency; SUP – supplier; MIS – minor shareholder; MED – media; ENV – environmentalist.														
Legend Q1 :	(5) Not Significant; (4) Moderately Significant; (3) Significant; (2) Very Significant; (1) Extremely Significant														
Legend Q4:	(a) Ignore the environmental event and continue supporting the company. (b) Encourage the firm to make environmental disclosure & continue supporting the firm. (c) Continue supporting the company and attempt to influence other to do the same.														

These comments clearly have further implications in their preferred action which is discussed next.

Preferred Stakeholder Action

In Question 4 (Q4), participants are asked to choose the most likely action they would take if they are aware of the featured environmental event and the company did not provide any environmental disclosure. Three 'possible actions' are provided as follows:

- Ignore the environmental event and continue supporting the firm.
- Encourage the company to make environmental disclosure and continue supporting the company.
- Continue supporting the company and attempt to promote this initiative by influencing others to do the same.

Option (a) is likely to be chosen by those who believe that environmental considerations are not significant and/or are not likely to affect their stake on the firm. On the other hand, Options (b) and (c) are likely to be chosen by stakeholders

who either feel strongly about environmental issues and/or see the need for the firm to publicise its pro-active environmental initiatives. Table 2 provides the summary of direct answers to the closedended questions Q1 to Q4 in Part II of the structured questionnaire.

The result shows that majority (12 out of 15 respondents) see some value in encouraging the firm to make environmental disclosures (Options b and c) with six respondents going further as to promote and influence others to do the same (Option c). Only three respondents choose to ignore the event (Option a). Of these three, the local customer and employee representatives [Interviewee 19 & 9] believe that the environmental event is not significant (consistent with their response to Q1), hence they do not see the need to compel the management to provide disclosures. It is, however, interesting to probe deeper as to why the minority shareholder representative [Interviewee 18] consider the event significant and yet he chose to ignore the event (Option a).

Figure 2: Analysis of Stakeholder/Firm Interdependence & Strategy

		IS THE STAKEHOLDER DEPENDENT ON THE FIRM?	
		NO	YES
Is the firm dependent on the stakeholder?	NO	P1: LOW INTERDEPENDENCE Indirect promote/coerce strategy ENV, MED <i>ENV[6&17], MED[12&15]</i>	P2: FIRM POWER Indirect usage/compromise strategy EMP, SUP, MIS <i>EMP[8&9], SUP[7,14], MIS[18]</i>
	YES	P3: STAKEHOLDER POWER Direct promote/coerce strategy CUS, RGA <i>RGA[16], CUS[19&20],</i>	P4: HIGH INTERDEPENDENCE Direct usage/compromise strategy MJS, LTC <i>MJS[13], LTC[10&11]</i>

LEGEND: ENV –environmentalist; RGA – relevant government agency; MJS – major shareholders; MED – media; EMP – employees; LTC – long-term creditors; CUS – customers; MIS – minor shareholders; SUP – suppliers
Note: The numbers inside the brackets [] are the Interviewee numbers.

FURTHER ANALYSIS OF RESULTS

As is clear from the results presented in the previous section, the answers to the closed questions (Q1 to Q4) do not provide sufficient basis for further analysis. Cognisant of this limitation, these answers are analysed further together with the answers to open-ended questions probing deeper into the reasons for their choice.

The four power-dependence quadrants of 'Low Interdependence', 'Firm Power', 'Stakeholder Power' and 'High Interdependence' and the respective influence strategies corresponding to propositions P1 to P4 developed earlier are reproduced in Figure 2. In addition, the stakeholders identified to belong in each power-dependence quadrant are now superimposed in each of the four quadrants. For example, the media (MED) and environmentalists (ENV) fall into the Low Interdependence Quadrant while the major shareholders (MJS) and long-term creditors (LTC) are in the High Interdependence Quadrant.

Recall, however, that these power-dependence relationships established earlier is based from the respondents' general perception of how crucial each stakeholder is to company survival without particular consideration of the featured pro-active environmental event.

The experimental approach is particularly useful for further analysis as it allows the injection of a particular scenario in a relatively controlled environment. As is the case in this study, a pro-active environmental initiative is introduced by a fictitious bank, Keluarga Banking Berhad (KBB), and the respondents are asked to comment and explain their views. In order to gain insights on the preferred strategies chosen by various stakeholder representatives to demand/not demand environmental disclosures, the answers to the openended questions provide a rich data source. The purpose here is to explore the possibility that if there is a demand and the firm does not provide environmental disclosures, then these stakeholders may exercise their power possibly either *directly* or *indirectly* through *usage* or *promote* strategy. The results from this further

analysis are discussed here.

Low Interdependence Quadrant

The low interdependence quadrant in Figure 2 includes both the environmentalists (ENV) and the media (MED). Since neither the firm, KBB, nor the stakeholders, ENV and MED rely on each other to fulfil their goals, the relationship is one of **low interdependence**. One can even argue that these groups do not really have a stake on KBB. However, because of the nature of the featured proactive environmental initiative and the nature of the role played by both the environmentalists and the media, it is conceivable that both groups could take this opportunity to use KBB as an example to promote this activity. If both groups feel strongly about increasing environmental awareness, this event creates an indirect stake on the firm. As such, the slightly modified model predicts that both the media and environmentalist representatives will adopt **indirect promoting strategy**. This is evident from the responses to Q4 (shown in Table 2) with both the environmentalists [Interviewees 6 & 17] and media representatives [Interviewees 12 & 15] choosing Option c. The following direct quotes describe their attempt to influence others to follow KBB's example:

Since they are doing something good, it would be good to let other stakeholders know so they can set a good example. [17]

An environmentalist will be most comfortable lending a hand to a reputable company that does not just talk but takes the necessary action... I'm happy to discuss this initiative with other stakeholders and write an article which can be

sent to the media. [6]

Interviewee 6's desire to promote KBB's initiative through discussions with other stakeholders including the mobilisation of the media is characteristic of an **indirect** attempt to help **promote** this event. Furthermore, the influence of the media to inform the public as shown in the following comments provides some evidence on its ability to use **indirect promoting** strategy.

This is why I said before that the environmental awareness is more or less on the increase because of the activities publicised by the media. The media plays a very important role because they are the one who inform the public on what is happening... [15]

This view is shared by other respondents including the two top executives interviewed in the pilot phase.

Firm Power Quadrant

Since the employees (EMP), minor shareholders (MIS) and suppliers (SUP) depend more on KBB to fulfil their goal, the relationship is one of **firm power**. Hence, **P2** suggests that **indirect usage strategy** is likely to be adopted but only if the stakeholders place high significance to the environmental event as suggested in the main assumption as indicated earlier. The following quote explains why the minor shareholder representative [Interviewee 18] ignores the environmental event (Option a) despite the fact that he considers the event significant:

... I won't even consider encouraging the company to make environmental disclosure – they won't

take notice of me as a minor shareholder anyway. [18]

Despite the different preferred actions chosen by the employees [Interviewees 8 & 9], suppliers [Interviewees 7 & 14] and minor shareholder [Interviewee 18] representatives as shown in Table 2, it is clear that none of them choose Option c suggesting that either they do not put high significance on this event or they do not care whether it is disclosed or not. This is confirmed in the following comments by the employee representatives:

If this is a good thing, as in this case, it doesn't matter to us whether they disclose or not. But if there is any risk on health... then we would like to know. [8]

I personally think that if the company does something good, they should do it willingly. It's not necessary to let other people know so I don't care whether they publicise it or not. [9]

As such, it is highly unlikely that anyone of them will use the **indirect usage strategy**. A close examination of the responses to open-ended questions confirms that none of the respondents in the **firm power quadrant** intend to make an alliance with other stakeholders. This is hardly surprising particularly since earlier findings from the pilot phase reveal that economic concerns are likely to supersede environmental concerns magnified by the fact that environmental awareness in Malaysia is still very low, albeit increasing slowly.

Stakeholder Power Quadrant

The analysis reveals that the relationship

between KBB and those of the relevant government agency (RGA) and customers (CUS) is one of **stakeholder power** since KBB is dependent upon these stakeholder groups to continue its existence. In the modified model, **P3** suggests that, if there is a demand for environmental disclosure, a **direct promoting** strategy is predicted. However, similar to the **Low Interdependence Quadrant**, it is important to highlight the fact that these strategies will only be adopted, if and only if, these stakeholder groups feel very strongly about the proactive environmental initiative, thereby creating a sense of urgency to promote this event. Hence, it all boils down to the personal convictions of the stakeholder representatives. It is promising to see that the relevant government officer and one customer representative [Interviewees 16 & 20, respectively] place a high significance level on this event (2) and choose Option c (see Table 2) suggesting that they both find KBB's environmental initiative valuable. In fact, the only respondent in the **Stakeholder Power Quadrant** who choose to ignore this event (Option a) is the local customer representative [Interviewee 19] who consistently takes the stand of a 'bad' corporate citizen. It is clear, however, that even the socially responsible customer is very much aware that Malaysian customers generally are not willing to forego their own interest in the name of sustainability:

If this expenditure of \$20 million is out of the bank's pocket and it's not affecting their interest rates... they will continue supporting this bank. They might not want to sacrifice their benefits though. [20]

Despite this, perhaps the best display of

direct promoting strategy is the one portrayed by the relevant government representative in this direct quote:

Because this event is more of a private sector initiative, we'll look at this positively. What we, as relevant government agencies, will do is to establish good networking so that we can look after them as one of our partners – as a good example for other companies to follow. [16]

High Interdependence Quadrant

Finally, there is **high interdependence** between the management of KBB and those of the major shareholder (MJS) and long-term creditors (LTC) representatives because of mutual dependence to achieve profitability goals. Hence, **direct usage strategy** is expected in proposition P4. It is clear from Table 2 that the major shareholder [Interviewee 13] and long-term creditor representatives [Interviewees 10 & 11] prefer to encourage KBB to provide disclosures (i.e. their most preferred Option is b) mainly because it is good for company image. Their ability to 'attach strings' is inherent particularly in this comment from the major shareholder representative:

I'll just invite the CEO one morning over coffee and ask him to explain what is happening. I'll encourage him to make disclosures – call a press conference, make posters and brochures; sponsor environmental campaigns– these are mainly exploiting mechanisms to enhance our public image. Yes, I will ask the

management to pay the newspaper, underline the word "pay", to publicise this as a major event with pictures. I can easily do that since I'm a major shareholder. [13]

This suggests that because both the firm management and the stakeholders are highly interdependent, the major shareholders and creditors could **directly** demand the use of all means of environmental disclosures since they have the ability to set certain conditions in their relationship with the management. Furthermore, since the featured event provides an opportunity to improve company image, both parties are in a win-win situation as confirmed in these quotes from long-term creditor representatives:

I'll encourage the bank to use different communication media to advertise this initiative since it's good for our image. [10]
...if we've been dealing with this company for years, we would feel very comfortable with this relationship ... so we would encourage them to disclose this since it's a win-win situation. [11]

Hence, further analyses reveal that the level of interdependence between the management and the stakeholder groups as well as the perceived significance of events have some bearing on the type of influence strategies used by the stakeholders to demand environmental disclosures. It is also clear that the stakeholder's perception of how the event will affect their stake on the firm will determine the demand.

CONCLUDING COMMENTS

The purpose of this research is to gain insights into the preferred influence strategies adopted by various stakeholder groups in demanding environmental disclosures. These insights are important given that worldwide surveys show that stakeholder pressures are one of the main drivers for increased corporate social and environmental responsiveness.

In examining stakeholder influence strategies and disclosure preferences, this research extends the application of stakeholder theory in the environmental reporting area particularly when a proactive environmental initiative is involved. This is a first-of-its-kind as prior studies feature mainly negative events. Likewise, unlike other studies which focussed mainly on one group of stakeholders, this study extends the stakeholder influence strategy analysis to a wide variety of stakeholders such as the major shareholders, minor shareholders, customers, suppliers, relevant government agency, long-term creditors, employees, media and environmentalists. Furthermore, it uncovers relevant insights into the environmental reporting preferences in the context of a rapidly developing economy such as Malaysia from an *ex ante* perspective. Much of previous research conducted mainly in developed countries provides evidence from an *ex post* perspective thereby excluding the possibility of gaining an appreciation of the processes and rationale behind the decision to either disclose or not disclose environmental information.

The analysis conducted in this research, although based on a small sample, re-

veals the usefulness of Frooman's (1999) typology to understand how different groups of stakeholders go about seeking what they want from the management. From the results, it is clear that there is a demand for environmental disclosures to be provided in the annual report and other means of communication, particularly in the case of a proactive environmental initiative as featured in this Malaysian experiment. The underlying assumption that '*the stakeholder's perception of how the environmental event will affect their stake and the firm/stakeholder interdependence structure*' has, indeed, determined whether the stakeholders demand environmental disclosures. The insights gathered from the stakeholders' demand for environmental disclosures lead to the following conclusion.

From a **practical perspective**, the most pivotal conclusion drawn from this investigation is that although the model is useful to understand the influence strategies adopted by each stakeholder group represented, its effectiveness is tempered by the level of significance placed on the environmental event by the stakeholders. Given the considerably low level of environmental awareness in Malaysia, it is clear from the analysis that proactive efforts such as the one featured in this study is not given a very high significance level by the stakeholders closely identified with the general public such as the employees and the local customer representatives. The implication is such that without mobilising public awareness, it is not surprising to see few companies adopting environmentally friendly activities. Hence, while the media and the environmentalists are seen to push the agenda of increasing public awareness, the onus is still on the rele-

vant government agencies to exercise their power. Many of the stakeholders represented in this study rely on the relevant government agencies to regulate the company's environmental activities and disclosures. Thus, without sufficient government regulations mandating environmental protection and disclosures, Malaysian companies are more likely to put economic measures ahead of environmental concerns.

From a **theoretical perspective**, the results presented lead to the conclusion that whilst voluntary environmental disclosures are used by corporate entities to manage their possibly competing stakeholder demands, stakeholder pressure and influence strategy is seen as the driving force for firms to make the decision to provide disclosures. This is in accordance with the basic premise of stakeholder theory. This is also in line with the conclusion reached in Cormier et al's (2004) study of multinational companies' environmental disclosures from Canada, France and Germany. They summarise their findings as follows:

As we attempt to understand the actions taken by corporate managers ...we know that managers react to stakeholder demands. Over time such reactions lead to an evolutionary process that results from managers adapting and changing as they try to understand what stakeholders think is important as well as deciding which stakeholders are most important in a given setting (Cormier et al 2004, p. 160).

This suggests that the stakeholder power-dependence/influence strategy

typology, in particular, and stakeholder theory, in general, has much to offer in our understanding of management/stakeholder behaviour and the demand for corporate environmental disclosures.

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APPENDIX: STRUCTURED QUESTIONNAIRE

PART I: GENERAL INFORMATION

INTERVIEW NUMBER: _____ **NAME:** _____
 What/is was your current/previous position? _____

RELEVANCE OF STAKEHOLDER: Please rank the following stakeholder in the order of their importance to a company's survival with 1 (most important) to 9 or 10 (least important).

Stakeholder Type	RANK		RANK
Major shareholders (Owns>5% shareholding Top 20)		Customer	
Minor shareholders (Owns<5% shareholding non-Top 20)		Suppliers	
Major / Long-term Creditor		Media	
Relevant government agency		Environmentalist	
Employees		Other (please indicate)	

In your current/previous job or situation, please indicate which type of stakeholder you would most likely be classified: _____

PART II : CASE-SPECIFIC INFORMATION

Instruction: Please read the following hypothetical vignette. THEN, answer the question below taking the role of the stakeholder you are most likely to be classified with.

Keluarga Banking Berhad (KBB) is a large publicly listed company operating profitability since 1975. The company has been an active supporter of socially responsible initiatives including sustainable development. Its corporate mission and vision specifically includes environmental and social concern and this is reflected in the corporate environmental policies which are regularly revised in line with the social audits conducted annually. Recently, KBB spent RMS 20 million for a state of the art technology which will enable the following:

- Reduce energy consumption by 25%;
- Make paper and other stationery recycling easy;
- Reduce wastes and rubbish collection by 20%;
- Promote paperless transactions thereby reducing the use of paper.

- 1) How significant do you believe this environmental event is to you in deciding whether to provide your support to the company? Please indicate the significance level as shown below:

1	2	3	4	5
Extremely Significant	Very Significant	Significant	Moderately Significant	Not Significant

Can you elaborate as to the reason for your choice?

- 2) If you are aware of the environmental event featured in this vignette, would you demand Annual Report environmental disclosures (AREDS) regarding this event? Please elaborate on your reason for demanding not demanding AREDS.
- 3) Will you be expecting the company to use other ways of communication to provide environmental disclosures regarding this event? If yes, please indicate other means of disclosure and explain why?
- 4) If you are aware of the environmental event identified in this case and the company did not make any disclosure, choose the most likely **Possible Action** that you would likely take.

Possible Action	(Tick)
a) Ignore the environmental initiative and continue to support the company	
b) Encourage the company to make environmental disclosure and continue supporting the company	
c) Continue supporting the company and attempt to promote this initiative by influence others to do the same	
d) Others? Please specify.	

Please elaborate on the reasons for your choice.

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