



Contents lists available at ScienceDirect

## Journal of Cleaner Production

journal homepage: [www.elsevier.com/locate/jclepro](http://www.elsevier.com/locate/jclepro)

## Promoting societal governance: Stakeholders' engagement disclosure on Malaysian local authorities' websites

Mariam Midin <sup>a</sup>, Corina Joseph <sup>a,\*</sup>, Nafsiah Mohamed <sup>b</sup>

<sup>a</sup> Faculty of Accountancy, Universiti Teknologi MARA, 94300, Kota Samarahan, Sarawak, Malaysia

<sup>b</sup> Accounting Research Institute, Universiti Teknologi MARA, 40450, Shah Alam, Selangor, Malaysia

### ARTICLE INFO

#### Article history:

Received 3 February 2016

Received in revised form

19 September 2016

Accepted 20 November 2016

Available online xxx

#### Keywords:

Stakeholder engagement

Governance

Local authority

Websites

Disclosures

Isomorphism

### ABSTRACT

Stakeholder engagement has grown in significance today and has become one of the important elements in advancing sustainability agenda in the public sectors. This study aimed to determine the extent of stakeholder engagement disclosure using the coercive isomorphism tenet. Adopting a modified stakeholder engagement index to measure the extent of stakeholder engagement disclosure, the unit of analysis for this study consisted of 108 Malaysian local council websites. To reduce any subjectivity, the disclosure index was unweighted that encompassed 40 items. Based on the findings, it appears that there were low-level disclosures of stakeholder engagement information on the Malaysian local authorities' websites, which were inclusive of only 12 out of 40 items (30%). One of the most important practical implications of this study was to highlight the ability of local governments in developing countries, such as Malaysia, for being able to disseminate stakeholder engagement information through their websites to increase greater transparency and accountability, which in turn, advancing sustainable development in the public sectors.

© 2016 Elsevier Ltd. All rights reserved.

### 1. Introduction

Stakeholder engagement is a key part of corporate social responsibility (CSR), which can improve decision making and accountability. It is relevant to both private and public sectors, whereby organizations receive feedback from stakeholders in decision-making process (Jeffery, 2009). Stakeholders are the people who may be affected by the decisions made by organizations or they can influence the implementation of the decisions (Global Reporting Initiatives, 2013). Engaging stakeholders is a requirement of the Global Reporting Initiative (GRI), which is a network-based organization that provides Sustainability Reporting Guidelines to companies and organizations in reporting economic, environmental, social and governance performances based on the principle of stakeholder inclusiveness (Global Reporting Initiatives, 2013).

Stakeholder engagement has grown in importance today with views that organizations may need to change their objectives and operations as a result of stakeholder engagement in CSR (Jeffery, 2009). However, whilst this is not a new issue to private sectors

in Malaysia, in comparison, progress by public sector organizations is hard to be seen as there is no requirement to disclose the information. Therefore, this paper considers stakeholder engagement disclosure (SED) in Malaysia's public sector by focusing on the local government, which in turn, advancing sustainable development and improving societal governance. This paper uses the definition of SED by Lausen (2013, p. 2298), that is,

... how and when “stakeholder engagement” is shown in various disclosures such as reports, internet websites, and certifications and how this is made transparent for the public. It also contains various instruments to measure how stakeholders are engaged in decision making and which influence stakeholders have on business or governmental strategies, visions, and missions.

The local government sector provides services and functions that can directly affect the economic, social and environmental well-beings of the community (Williams et al., 2009). Due to this reason, the local government is in a position to encourage stakeholder engagement by ensuring the community to participate in sustainable development programs or events. Apart from community, in the case of local authorities, the stakeholders include

\* Corresponding author.

E-mail address: [corina@sarawak.uitm.edu.my](mailto:corina@sarawak.uitm.edu.my) (C. Joseph).

federal and state governments, non-governmental organizations, citizens, contractors and employees. Further, it is put forward that stakeholders influence the local authorities in selecting the choice of government's policy to promote the sustainable development agenda in Malaysia (Cheng, 1992). In addition, external stakeholders' influence on the local authorities (Lodhia, 2008) is considered essential for social acceptance by society in order to achieve legitimacy, which is closely related to the institutional theory.

A key element of sustaining and embedding any program is to engage the stakeholders with any activities or programs via efficient communication that should start as early as possible. According to Tufté and Mefalopulos (2009), when stakeholders are engaged at every stage of a participatory development program or activity, especially at the early stages, the stakeholders' participation allows a more accurate development problem that can be defined, thus enhancing the quality and relevance of the program. In order to be more impacted, it is put forward here that the stakeholders' participation should be communicated and disclosed. Hence, to communicate with the stakeholders, organizations can use both the traditional and new media communication techniques. Traditional methods are very valuable despite the fact that they can be time consuming, expensive and difficult to organize. However, with the advent of online tools and in line with public sector reforms, it becomes simpler to engage, inform and consult with the stakeholders.

In Malaysia, the Ministry of Urban Wellbeing, Housing and Local Government has also introduced *e-Pihak Berkuasa Tempatan* (e-PBT) under the Smart Local Government Governance Agenda (SLGGA), where the local government agencies can disseminate information via their websites (Joseph, 2010a). Hence, this paper used the Malaysian local authorities' websites as a primary medium for unit of analysis and focused on the extent of stakeholder engagement disclosures (SED) on the websites. Due to the introduction of e-PBT and considering the advantages of website reporting which overcomes the limitations of paper-based communication, such as hard copies, print medium fixation and one-way communication (Isenmann et al., 2007), the local government agencies in Malaysia may consider maximizing the usage of their websites to disclose as much information as possible in relation to stakeholder engagement, thus advancing sustainable development. Furthermore, based on the total number of visitors who visit the Malaysian local government's websites from time to time (the information is available on the local authorities' websites), this reveals that the websites have been used by the people to communicate with the local government.

While studies in sustainable development and sustainability reporting in Malaysia are increasing (see for example, Ismail (2012); Joseph and Taplin (2012a,b)), there is a lack of research which focuses on SED via the Internet, especially regarding sustainable development issues in the context of local authorities. In this paper, it is suggested that the disclosures of stakeholder engagement information on the local authorities' websites is important in improving sustainable development in Malaysia that is in line with the public sector reforms, which possibly be explained using the coercive isomorphism. Hence, this paper aimed to determine the type and extent of SED on Malaysian local authorities' websites.

This paper provides two important contributions to the public sector accounting and sustainability literature. Firstly, this research aimed to develop a modified stakeholder engagement checklist, which was constructed based on past studies. This includes the stakeholder engagement index from Kaur and Lodhia (2014), 17 categorizations of non-financial data on websites from Ghani and Said (2010), additional elements from Chinyio and Olomolaiye

(2010), and a preliminary observation of nine selected local authorities' websites consisting of city councils and municipal councils. This provides new insights into SED on the local authorities' websites in Malaysia. Secondly, this research also provides a better understanding on how the local authorities as well as the ministries involve and formulate guidelines and policies for local authorities. It is important to put forward the idea that the stakeholder engagement should not be seen as a one-time occurrence to respond to a specific incident. Instead, it is an on-going cycle of feedback between the organizations and their stakeholders. This continuous exchange enables the organizations to better understand the stakeholders' interests and priorities, which in turn will help them make better decisions.

## 2. Literature review and the institutional theory

Likewise, in the private sector, good governance principle is used in the public sector. One of the major characteristics of good governance is stakeholders' participation (Global Reporting Initiatives, 2013). Good governance includes the elements of transparency and accountability, in which one of the ways to achieve this is through the engagement of citizens (Bonsón et al., 2012). Inclusiveness and effectiveness of goals can be achieved by involving the stakeholders to improve the understanding of any issues, processes, opportunities and potential impacts that can facilitate stronger multi-stakeholder participation. The GRI's guideline has focused on stakeholders' inclusiveness in the reporting process.

Disclosure is an important element in achieving good governance. The public sector has long been subjected to criticisms for not being able to fulfill the public's expectations in terms of poor performance and ineffective accountability (Tooley et al., 2010). In the study of performance measurement of the public sector, Bakar et al. (2011) stated that the objectives of performance measurement initiatives will not be achieved in promoting greater transparency and accountability unless their development is extended further through disclosures. Similarly, in regards of this paper, public sector organizations will not be able to achieve transparency and accountability if the development of stakeholder engagement activities or programs is not disclosed.

Accountability and good governance principles are interrelated to each other. According to Kovach and Burall (2001), to be accountable, an organization needs to integrate all dimensions into its policies, procedures and practices at all levels and stages of decision making and implementation. The mechanism for accountability to people can be strengthened through enhanced participation in order to achieve good governance (Devas and Grant, 2003). AccountAbility (2008) has introduced the principle of inclusivity, where the stakeholders are taking part in developing and achieving an accountable and strategic response to sustainability. Thus, it is very important for an organization to manage its relationship with the stakeholders in order to motivate them to behave in ways that support the functions, goals, objectives and development of that organization. Stakeholder engagement is not new, in fact, it is now accepted as crucial to an organization's sustainability and success (AccountAbility, 2008). In every development project, one of the main goals is to integrate the principles of sustainable development into the country's policies and programs (Thabrew et al., 2009). In addition, Lu and Abeysekera (2014) also found that shareholders influence corporate social and environmental disclosures.

There are several definitions of stakeholder engagement. AccountAbility (2008) defined stakeholder engagement as "the process used by an organization to engage relevant stakeholders for a clear purpose to achieve accepted outcomes" (p. 45). There are

Download English Version:

<https://daneshyari.com/en/article/5480342>

Download Persian Version:

<https://daneshyari.com/article/5480342>

[Daneshyari.com](https://daneshyari.com)