

# The Effects of National Culture, Corporate Governance and CSR Governance on CSR Disclosure Quality

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## **Abstract**

**Purpose:** This study investigates the effects of national culture, corporate governance and CSR governance on corporate social responsibility (CSR) disclosure quality based on stakeholder, legitimacy and agency theories in the Asia-Pacific context.

**Design/methodology/approach:** Content analysis was applied to examine the annual and stand-alone CSR reports of 139 public listed companies in the Forbes Global 2000.

**Findings:** While CSR committee and NGO alliance influence CSR disclosure quality positively, individualism inversely related to the disclosure quality. Apart from that, top management commitment failed to reveal a moderating effect in this study.

**Research limitations/implications:** This study deepens the understanding of CSR disclosure quality in the Asia-Pacific context, and suggest the importance of CSR committees.

**Practical implications:** This study creates interest in CSR disclosure among the Asia-Pacific countries, and provides some insights into how different national context and governance perspectives can enhance the quality of CSR disclosure.

**Originality/value:** This study demonstrated that national culture, corporate governance and CSR governance as the drivers of the quality of CSR disclosure.

**Keywords:** Corporate social responsibility disclosure, National culture, Corporate governance, CSR governance, Hofstede's cultural index, Asia-Pacific.

## Introduction

Ever-growing industrialisation and urbanisation has posed worldwide sustainability issues, such as climate change, natural resources depletion, and poverty (OECD, 2009). Corporations are being continuously held responsible for the adverse impacts of their activities on the natural and social environments (Costa and Menichini, 2012). This has sparked growing interest in corporate social responsibility (CSR). According to the European Commission (2011), CSR is a concept whereby businesses integrate social, environmental, ethical, human rights and consumer concerns into their business operations. Therefore, CSR has been considered as a means of achieving sustainable development, which combine the three elements: the society, economy, and environment (Kolk and Tulder, 2010). To better convey CSR, voluntary disclosure has become a mainstream phenomenon.

Many companies have greatly improved their corporate responsibility performance through disclosing relevant information in stand-alone CSR or traditional annual reports (Eng and Mak, 2003; Islam and Deegan, 2010; Amran and Ooi, 2014). Due to the pressure from the external environment, it has been observed that there is a global uptrend in CSR reporting which creates additional values to the companies (Gurvitsh and Sidorova, 2012). However, international comparative studies suggest that substantial differences exist on CSR understanding and disclosure level from countries to countries (Chen and Bouvain, 2009; Freeman and Hasnaoui, 2011; Amran et al., 2016). Since the last decade, the Asia-Pacific has gradually become a focus ground for CSR disclosure studies (Belal and Momin, 2009). As a matter of fact, the Asia-Pacific economies hold a significant position within the global economic structure (Zha, 2015), especially for emerging economies like China, India and Malaysia, which play a vital role in revitalising and facilitating the continuous growth of global economy.

According to Visser (2008), there are several important reasons to study CSR in the developing or emerging market context. Firstly, these countries have higher potential of economic growth and investment which may bring more social and environmental impacts (Visser, 2008). Secondly, the social and environmental crises in the developing countries are usually strongly felt by the rest of the world (UNDP, 2006). Thirdly, developing countries present distinctive CSR challenges which are quite different to those faced in the developed countries (Visser, 2008).

Scholars have cautioned that multinational corporations in the host countries have been facing problems in the business operations with regard to adjusting the foreign cultures (Bondy and Starkey, 2014). The lack of thorough cultural values understanding can create overwhelming barriers to companies' success (Muwazir, 2011). Notably, Van der Laan Smith et al. (2005) asserted that it is important to understand the different cultural context of CSR disclosure, so that companies can adjust their disclosure strategy accordingly when entering foreign markets. Besides, corporate governance has received increasing attention, especially with the mega corporate failures and scandals from Enron, WorldCom, Shell, Nike, and Northern Rock (Zaheer, 2013; Amran, Lee, and Devi, 2014). Given the global pressure for corporate sustainability, companies are experiencing transformation towards a more sustainable oriented operation.

Though with the proliferation of CSR research lately, there are still sparse and inconclusive about the possible contextual factors influencing CSR disclosure (Adnan, 2009). Gaps remain on how CSR can be effectively integrated with the existing business processes and governance structure (Asif et al., 2013). As CSR research in the Asia-Pacific context remain limited, this study intends to examine the effect of national culture, corporate governance and CSR governance on CSR disclosure quality of 13 countries in the Asia-Pacific.

## Literature Review

### *National Culture and CSR Disclosure Quality*

Hofstede made the most prominent contribution in cultural research due to the establishment of the National Culture Index (NCI). He proposed four value dimensions: power distance refers to the society acceptance of unequal distribution of power; uncertainty avoidance refers to the extent to which people feel threatened by unknown and ambiguous situations; individualism refers to the inclination of people to look after themselves instead of the society's need; and masculinity refers to the extent of "masculine" values such as assertiveness and materialism that prevail in society (Hofstede, 2001).

As such, several CSR disclosure research have been conducted based on NCI, explaining the variation of reporting practices across countries. For instance, Van Der Laan Smith et al. (2005) examined CSR disclosure based on 26 US companies, and 32 Norwegian and Danish companies, in the electric power generation industry, meanwhile, Adelopo et al., (2013) conducted their research in the western European context, justifying the robustness of the index (Ringov and Zollo 2007; Peng, Dashdeleg, and Chih, 2014).

### *Corporate Governance and CSR Disclosure Quality*

Corporate governance is the system by which business corporations are directed and controlled. The corporate governance structure specifies "the distribution of rights and responsibilities among different participants in the corporation, such as board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs" (OECD,2005, p.3). In the existing corporate governance literature, the effectiveness of the arrangement of the board of directors, explicitly board size and independence essential for improved transparency and accountability practices has received much consideration (Kolk and Pinkse, 2009).

Board size is one of the most significant elements within the corporate governance mechanism (Abdul Razak and Mustapha, 2013). It represents the total number of directors on the board containing both executive and non-executive directors (Mulyadi and Anwar, 2012). Although findings revealed that larger board size could bring communication and coordination problems resulting in less cohesiveness of companies' practices (Said et al., 2009; Mulyadi and Anwar, 2012); and the agency conflicts between shareholders and managers are more likely to occur when the board size is large (Lucyanda and Siagian, 2012), Esa and Ghazali (2012) affirmed that board size is positively associated with the level of CSR disclosure after analysing the annual reports of 27 Malaysian government-linked companies.

Meanwhile, board independence is defined by the proportion of independent non-executive directors on the board (Liao et al., 2014). It is argued that the existence of independent directors on the board will enhance the board effectiveness (Said et al., 2009). Rouf (2011) found that board independence could positively affect the level of CSR disclosure. However, study conducted by Haji and Ghazali (2013) suggested that board independence has no significant relationship with the voluntary disclosure by examining the Malaysian corporate annual reports. Similarly, Amran et al. (2013) also reported that board independence does not have any significant impact on the quality of CSR disclosure.

### *CSR Governance and CSR Disclosure Quality*

With the constant and more optimised evolution of CSR practices, an integrated CSR governance system has increasingly gaining attention. De Colle and Gonella (2003) identified two broad

approaches for the integrated CSR governance. The establishment of CSR committee on the board could be considered as an important attempt in managing CSR related issues, as the internally focused approach. Whereas, the alliance establishment or collaboration with NGOs is an effective externally focused approach (Baldwin, 2010).

The existence of CSR committee on the board reflects companies' efforts in incorporating the awareness of social and environmental responsibility into board structure. CSR committees play a vital role in CSR management due to their inherent functions (Baldwin, 2010). It could also be engaged in setting the directions regarding the transparency, structure and scope of CSR disclosure (Adnan, 2009). Wahyuni et al. (2009) argued that companies with an environmental committee are more likely to voluntarily disclose greenhouse gas emissions information than companies without such committee. Similarly, Liao et al. (2014) reported that companies with environmental committees on the board tend to be more ecological transparent after studying 329 largest companies in the UK.

Apart from that, Deegan and Blomquist (2006) noted a trend in which NGOs collaborate with businesses by providing monitoring services to them. As such, those businesses have also been more likely to embrace NGOs to form a green alliance to achieve better and greener environmental and social performance. Such tendency can lead to a "win-win" circumstance which has mutual benefits for both NGOs and businesses concerning CSR performance.

#### ***Control Variables and CSR Disclosure Quality***

The variation in the types of industrial sectors cause different environmental and social impacts which in turn will give rise to different CSR disclosure levels. A study by Staddon and Hooks (2007) revealed that companies with high level of toxic releases are associated with high disclosure level. Likewise, Sobhani et al. (2012) claimed that the nature of industry could be considered as an important factor influencing corporate environmental and social disclosure. Profitability is another important corporate characteristic to be considered as an influential CSR disclosure determinant (Amran et al., 2012; Mulyadi and Anwar, 2012; Lucyanda and Siagian, 2012; Lu and Abeysekera, 2014).

#### ***The Moderating Effect of Top Management Commitment***

Spencer et al. (2013) suggest that top management commitment could act as a strong driving force in enhancing corporate environmental performance. Meanwhile, Asif et al. (2013) argued that a top-down approach helps to fulfill CSR responsibilities, facilitates communications with different stakeholders and translates strategic goals into actual practices. Furthermore, Abdul and Ibrahim (2002) indicated that nearly 65% of managers in Malaysia support socially responsible activities which enhance their corporate image and benefited their company. Nevertheless, very few studies empirically examined the moderator effect of top management commitment.

#### **Theoretical Framework and Hypotheses Development**

##### ***Power Distance and CSR Disclosure Quality***

It has been avowed by scholars that low power distance societies are characterised by greater egalitarian values (Ali and Rizwan, 2013). With regards to CSR practices, Ringov and Zollo (2007) indicated that social and environmental initiatives are more likely to emerge, flourish and be openly discussed if power distance is low in a specific context. Furthermore, scholars have also argued that companies communicate and fulfil stakeholders' expectations and adhere with social values regarding environmentally and socially responsible business operations, which can be

explained by the stakeholder and legitimacy theory (Hassan and Ibrahim, 2012; Amran et al., 2015). However, such expectations and value systems could be dissimilar and affected by various cultural factors across the countries in a global context (Orij, 2010; Lindgreen et al., 2012). Hence, it is hypothesised that:

Hypothesis 1: *There is a negative relationship between companies based on the culture of high power distance and CSR disclosure quality.*

#### ***Uncertainty Avoidance and CSR Disclosure Quality***

Risk-averse societies tend to be more rule-oriented, indicating that people are more likely to prefer stable rules, social norms to seek for sense of security (Nord, 2006). Stable social norms and highly structured bureaucracies are of great help in minimising uncertainty (Ringov and Zollo, 2007). Therefore, given that the attributes of rule-oriented, it is reasonable to predict that companies from high uncertainty avoidance societies are more attuned to CSR-related rules and norms, leading to higher quality CSR disclosures:

Hypothesis 2: *There is a positive relationship between companies based on the culture of high uncertainty avoidance and CSR disclosure quality.*

#### ***Individualism and CSR Disclosure Quality***

Hofstede (2001) argued that highly individualistic societies lack strong bonds and linkages among members. Moreover, people value their personal interests and self-actualizations over social concerns and responsibilities (Adelopo et al., 2013). Adelopo et al. (2013) also reported that companies in a collectivistic society are more willing to disclose CSR issues compared with those in individualist society. Therefore, it is predicted that firms from highly individualistic cultures are less concerned with social issues, leading to less quality CSR disclosure:

Hypothesis 3: *There is a negative relationship between companies based on the culture of high individualism and CSR disclosure quality.*

#### ***Masculinity and CSR Disclosure Quality***

Highly masculine society place great emphasis on economic development, power, and material wealth over social concerns like caring for people and the environment (Ringov and Zollo, 2007). Moreover, Orij (2010) reported that masculine societies lack social orientation, meaning that less value will be placed on caring and nurturing. The literature has also revealed the negative relationship between masculinity and CSR disclosure quality (Ringov and Zollo, 2007; Van der Laan Smith et al., 2005). However, in the context of Asia-Pacific, it is also important to understand the extent to which companies in this region mirror those found elsewhere. Hence, it is hypothesised that:

Hypothesis 4: *There is a negative relationship between companies based on the culture of high masculinity and CSR disclosure quality.*

#### ***Board Size and CSR Disclosure Quality***

According to agency theory, board size helps to reduce agency problem, resulting in the effectiveness of managing and monitoring business activities (Khan et al., 2013). Larger board

sizes with more directors will benefit the company by mitigating information asymmetry and manager opportunism (Lucyanda and Siagian, 2012). With regards to CSR disclosure, several studies have claimed that board size can influence the level of voluntary and social disclosure (Esa and Ghazali, 2012; Abdul Razak and Mustapha, 2013), it is then hypothesised that:

Hypothesis 5: *There is a positive relationship between board size and CSR disclosure quality.*

#### ***Board Independence and CSR Disclosure Quality***

The enhancement of board effectiveness could also be reflected through the monitoring function of the independent directors towards the management's behaviors. This is because the presence of independent directors is typically perceived as a tool for effective monitoring (Abdul Razak and Mustapha, 2013). Jizi et al. (2013) also contended that high levels of board independence presumed to contribute more ineffective monitoring and controlling system. Arguably, this study expects that such effective monitoring function from board independence could contribute to higher quality of CSR disclosure. Therefore, it is hypothesised that:

Hypothesis 6: *There is a positive relationship between board independence and CSR disclosure quality.*

#### ***CSR Committee and CSR Disclosure Quality***

The literature suggests that CSR committees direct their companies in the pursuit of meeting stakeholders' demands, which are usually aligned with societal norms and values to ensure legitimacy (Wahyuni et al., 2009; Amran et al., 2013). A recent study by Liao et al. (2014) reported that companies with environmental committees on the board tend to be more ecologically transparent. Thus, it is hypothesised that:

Hypothesis 7: *There is a positive relationship between CSR committee and CSR disclosure quality.*

#### ***NGO Alliance and CSR Disclosure Quality***

Scholars have avowed that NGOs can raise CSR awareness and stimulate companies to take deliberate considerations regarding the environmental and social impacts of their business operations (Sobczak and Martins, 2010). As such, the significance of NGOs could lead to organisational alliances with NGOs which will help to enhance the disclosure quality of CSR information. Earlier studies have also conducted the research on the influence of NGOs on companies' disclosure of CSR information but in different context (Hussain-Khaliq 2004; Islam and Deegan, 2008). Hence, it is timely to understand the relationship between NGO alliance and CSR disclosure quality. It can be conjectured that:

Hypothesis 8: *There is a positive relationship between NGO alliance and CSR disclosure quality.*

#### ***Moderating Effect of Top Management Commitment***

Top management commitment is considered as the strongest driving force in facilitating performance improvement (Babakus, Yavas, Karatepe, and Avci, 2003). It has an impact on company responses to provoked issues and directs resolutions to manage these issues (Spencer et al., 2013). Furthermore, the stakeholder and legitimacy theory also suggest that interaction with corporate stakeholders can be appropriate means of better understanding stakeholders' demand (Asif et al., 2013; Amran et al., 2015). As stated by Ahire et al. (1998), top management

commitment is also vital in altering corporate policy to ensure that it is acceptable to all level of employees in the company. Hence, it could be predicted that the presence of top management commitment could moderate the relationship between corporate governance, CSR governance and CSR disclosure quality:

*Hypothesis 9: The relationships between national culture corporate governance, CSR governance and CSR disclosure quality are stronger when the top management commitment is high.*

## Method

### Sample

A total of 139 companies was selected based on the stratified random sampling method from 13 main Asia-Pacific countries listed on the 2012 Forbes Global 2000. Table 1 indicates that around 30% of the sample companies were from Japan, followed by China, 20.1%.

Table 1: Sample distribution from respective countries in Asia-Pacific

No	Countries	Frequency	Percentage
1	Japan	42	30.2
2	China	28	20.1
3	Korea	13	9.4
4	India	12	8.6
5	Hong Kong	10	7.2
6	Australia	9	6.5
7	Taiwan	9	6.5
8	Singapore	4	2.9
9	Malaysia	4	2.9
10	Thailand	3	2.2
11	Indonesia	2	1.4
12	Philippines	2	1.4
13	New Zealand	1	0.7
	Total	139	100.0

### Measurement of Dependent Variable

CSR disclosure quality was measured by the presence or absence of several activities encompassed in the CSR disclosure index, which was completely developed by integrating relevant indicators from prior CSR disclosure literature (Hossain et al., 2006; Rouf, 2011; Sobhani et al. 2012; Amran et al., 2016). Furthermore, global reporting initiatives (GRI) also make necessary contributions to the completion of items classification. By referring to various studies, a comprehensive disclosure list of 67 items were determined and grouped into six main dimensions, namely Environment, Energy, Community, Product, Human Rights and Human Resource Development. The following equation, based on Amran et al. (2015), represents the scoring system in measuring CSR disclosure quality.

$$TD = \sum_{i=1}^n d_i$$

TD = total disclosure score of a company, d = 1 if the item d1 is disclosed; d = 0, if the item d1 is not disclosed; n = number of items. The possible maximum score being 67 if all the items in the CSR disclosure index were found to be disclosed.

### ***Measurement of Independent Variable***

The independent variable, national culture, comprised four dimensions: power distance, individualism, uncertainty avoidance, and masculinity, with measurement items adopted from Hofstede (2001). Measures for Board size and Board independence were adopted from Zaheer (2013) and Abdul Razak and Mustapha (2013) respectively. CSR committee and NGO alliance were adopted from Amran et al. (2013). There are two control variables in this study: industry type and profitability, with measures adopted from Amran et al. (2012).

Based on Akadiri et al. (2013), top management commitment was measured by manager's attitude of paying attention to the sustainability issues in the business operating process. Thus, scores were given based on the binary form, that is, if the statement indicating corporate attitudes of responsibility towards environment and social welfare from the chairman of companies' board of directors exist in the annual report, then the number 1 will be given to the company. Otherwise, the number 0 will be assigned.

### ***Multiple Regression Model***

The regression model used in this study including moderating effect analysis is shown as follows.

$$\text{CSR DQ} = \alpha + \beta_1 \text{PD} + \beta_2 \text{UA} + \beta_3 \text{IND} + \beta_4 \text{MAS} + \beta_5 \text{BS} + \beta_6 \text{BI} + \beta_7 \text{CSR\_C} + \beta_8 \text{NGO\_A} + \beta_9 \text{IND\_T} + \beta_{10} \text{PROF} + \beta_{11} \text{TOPMGT*PD} + \beta_{12} \text{TOPMGT*UA} + \beta_{13} \text{TOPMGT*IND} + \beta_{14} \text{TOPMGT*MAS} + \beta_{15} \text{TOPMGT*BS} + \beta_{16} \text{TOPMGT*BI} + \beta_{17} \text{TOPMGT*CSR\_C} + \beta_{18} \text{TOPMGT*NGO\_A} + \varepsilon$$

Where,  $\alpha$  is intercept,  $\beta$  is the estimation from the regression model, CSR DQ is the CSR Disclosure Quality, PD is the Power Distance, UA is the Uncertainty Avoidance, IND is the Individualism, MAS is the Masculinity, BS is the Board Size, BI is the Board Independence, CSR\_C is the Existence of CSR Committee, NGO\_A is the NGO Alliance, IND\_T is the industrial type, PROF is the Profitability, TOPMGT\*PD is the interactive term between Top Management Commitment and Power Distance., TOPMGT\*UA is the interactive term between Top Management Commitment and Uncertainty Avoidance, TOPMGT\*IND is the interactive term between Top Management Commitment and Individualism, TOPMGT\*MAS is the interactive term between Top Management Commitment and masculinity, TOPMGT\*BS is the interactive term between Top Management Commitment and Board Size, TOPMGT\*BI is the interactive term between Top Management Commitment and Board Independence, TOPMGT\*CSR\_C is the interactive term between Top Management Commitment and Existence of CSR Committee, TOPMGT\*NGO\_A is the interactive term between Top Management Commitment and NGO Alliance, and  $\varepsilon$  = stochastic term.

## **Findings**

### ***Descriptive Statistics***

The results of descriptive analysis for continuous variables are shown in Table 2. CSR disclosure quality presented a mean of 42.3, meaning that out of 67 necessary CSR items from the CSR disclosure index, 42.3 items on an average were disclosed by sample companies in Asia-Pacific.



Most CSR-related items, which is approximately 63.3% of items were disclosed, showing that the CSR disclosure quality in Asia-Pacific achieved a moderate level. However, there are still room for advancement for CSR disclosure quality in Asia-Pacific.

Besides, a mean of 64.81, 59.42 and 67.00 show a relatively high level of power distance, uncertainty avoidance and masculinity respectively in Asia-Pacific. While a mean of 35.47 and 0.42 shows a low level of individualism and board independence in this region. Besides, there is a normal level for board size with a mean of 10.93 for sample companies in Asia-Pacific.

Table 2: Descriptive analysis results of continuous variables

	N	Minimum	Maximum	Mean	Std. Deviation
CSR DQ	139	29	53	42.30	5.53
PD	139	22	104	64.81	15.18
UA	139	8	92	59.42	27.75
IND	139	14	90	35.47	19.60
MAS	139	34	95	67.00	20.35
BS	139	5	20	10.93	3.09
BI	139	0.00	0.92	0.42	0.20
PROF	139	-7.69	31.03	4.54	6.24

### Regression Results

For regression analysis including control variables, hierarchical multiple regression is commonly used since variables will be included into the equation in a pre-determined order. The moderating effect from moderator is excluded in this section.

Table 3: The results of hierarchical multiple regression analysis of direct effect

Model	Standardised Coefficients Beta	t-value	Sig.	Collinearity Statistics	
				Tolerance	VIF
(Constant)		48.507	.000		
1 PROF	-.054	-.640	.523	.993	1.007
IND_T	.165	1.948	.053	.993	1.007
(Constant)		7.432	.000		
PROF	-.004	-.054	.957	.829	1.206
IND_T	.106	1.302	.195	.866	1.154
PD	-.110	-.801	.425	.305	3.278
UA	.085	.658	.512	.346	2.888
2 IND	-.407	-3.196	.002	.355	2.820
MAS	.090	.764	.446	.414	2.414
BS	.055	.648	.518	.786	1.272
BI	.145	1.436	.153	.561	1.782
CSR_C	.228	2.637	.009	.771	1.298
NGO_A	.265	3.362	.001	.928	1.077

Note: Dependent Variable: DV: CSR Disclosure Quality

As shown in table 3, there is significantly positive relationship between CSR committee existence and NGO alliance with the CSR disclosure quality as *p*-value for both variables are less than 0.05. Moreover, in the same model, only significant relationship has been revealed between individualism and CSR disclosure quality compared to other relationships.

Regarding the beta value, the largest beta coefficient is -0.407, which is for individualism, whereas the beta value for CSR committee existence and NGO alliance were 0.228 and 0.265, respectively. This indicates that the independent variable of individualism made more contributions to the variance of dependent variable as opposed to CSR committee existence and NGO alliance. Furthermore, by taking control variables into account, the results showed that neither industrial type nor profitability made a statistically significant contribution because of the *p*-value. In other words, the inclusion of these two control variables did not help in explaining the variance of CSR disclosure quality.

Table 4: Moderating effect of top management commitment on the relationship between independent variables and CSR disclosure quality

Variable	Model 2		Model 3		Model 4	
	$\beta$	<i>t</i>	$\beta$	<i>t</i>	$\beta$	<i>t</i>
<i>Control</i>						
PROF	-.004	-.054	-.001	-.011	-.024	-.298
IND_T	.106	1.302	.039	.511	.027	.342
<i>Independent</i>						
PD	-.110	-.801	-.094	-.732	-.202	-.575
UA	.085	.658	.045	.371	-.011	-.038
IND	-.407**	-3.196**	-.390**	-3.283**	-.742**	-2.289**
MAS	.090	.764	.062	.562	.076	.263
BS	.055	.648	.040	.497	-.037	-.247
BI	.145	1.436	.173	1.827	.488	1.525
CSR_COM	.228**	2.637**	.208**	2.583**	.223	1.112
NGO_A	.265**	3.362**	.136**	1.728**	.113	.536
<i>Moderator</i>						
TOPMGT			.366	4.558	-.159	-.118
<i>Interactive Effects</i>						
TOPMGT*PD					.329	.421
TOPMGT*UA					.085	.190
TOPMGT*IND					.538	1.606
TOPMGT*MAS					-.031	-.056
TOPMGT*BS					.181	.578
TOPMGT*BI					-.449	-1.089
TOPMGT*CSR_COM					-.031	-.148
TOPMGT*NGO_A					.053	.235
R <sup>2</sup>	.263**		.367**		.405	
Adjusted R <sup>2</sup>	.206**		.312**		.310	
R <sup>2</sup> change	.235**		.104**		.038	
Sig F change	.000		.000		.474	

Note: \* *p*<0.05 \*\* *p*<0.01

For the model considering the moderating effect, the multiple regression result is shown in the Table 4. In Model 4, the interaction term between independent variables and moderator has been included into the analysis. The results indicate insignificant change in  $R^2$  (0.038). Nevertheless, the result shows that top management commitment does not have an overall moderating effect on the relationship between independent variables and CSR disclosure quality. Even so, it is still noteworthy that top management commitment had the effect of changing directions of relationships between certain independent variables and CSR disclosure quality. For example, by comparing Model 4 with Model 2 in Table 4, it could be found that the relationship directions of power distance and individualism towards CSR disclosure quality changed from negative to positive, while those for masculinity, board independence and CSR committee existence changed from positive to negative.

### **Discussion and Conclusion**

Statistical results indicate the existence of relatively high disclosure quality, which can perhaps be attributed to the rapidly growing awareness of CSR and the increasing trend of CSR disclosure and reporting by companies in Asia-Pacific. KPMG (2013) reported that CSR is receiving increasing public attention. Furthermore, the relatively high quality in CSR disclosure could also be due to continuously improving CSR endeavors from emerging markets. For example, it has been reported that currently in China, the listed companies are more likely to voluntarily provide CSR information in their annual reports than in previous decades (Qu and Leung, 2006). It has also been affirmed that Indian government has made obliged the companies to spend at least two percent of their net profits on CSR causes (Hadfield-Hill, 2014). Therefore, due to the awareness of the external stakeholders in the society, the companies are increasingly inclined towards higher CSR disclosure.

The results also suggest that power distance, uncertainty avoidance, masculinity, board size and board independence are not significant predictors for CSR disclosure quality in Asia-Pacific. The Asia-Pacific region comprise of various national cultures. The results highlighted the challenges of achieving homogeneity across national cultural contexts, thus possibly affecting CSR disclosure. These results support those of Kimber and Lipton (2005), who assert that one cannot draw generalisations about the Asia region as a whole, since there has been substantial variations among Asian countries on the level of economic development, political systems and cultural values. Further it has been argued by scholars that economic, political and cultural distinction among Asia-Pacific countries will reflect in various level of CSR endorsement, and will ultimately lead to the heterogeneity of CSR disclosure quality (Welford, 2005). Furthermore, regarding cultural issue, it can also be argued that the innate modesty in the Asian cultures works against flaunting one's success in activities such as CSR (Welford, 2005), and therefore some activities may not be as readily recognised by outside observers.

In this study, board size and board independence were found to not play any influential role in CSR disclosure quality. This might be due to board's effectiveness that could neutralise the effect of CSR disclosure. It has been asserted by the scholars that the effective board shows more responsible management strength, and thus less effort is focused in disclosure practices (Amran et al., 2013). As for board independence, the primary reason for the insignificant result could be that an independent director is typically not involved in the day-to-day operations. The in-depth influences on disclosure information will be greatly restricted if they are not given thorough information of corporate daily operation (Amran et al., 2013).

Furthermore, there might be several possible reasons that lead to the negative relationship between individualism and CSR disclosure quality in the current study. Firstly, people from the society with a culture of high individualism are more self-oriented as reflected by placing great value and priority on self-interests and personal development (Adelopo et al., 2013). Moreover, individualist culture is less likely to share values and concerns with others, such as social concerns (Ciccarini, 2011). Secondly, from the stakeholder and legitimacy theory point of view, stakeholders from a society with high individualism culture may not have much expectation and not put much pressure on companies regarding their CSR-related practices, and which ultimately have negative influence on companies' CSR disclosure quality.

Additionally, the positive role of CSR committee in facilitating CSR disclosure quality could be interpreted from the perspective of its inherent significant functions. On the management level, such committee helps to oversight the efficiency on socially and environmentally responsible corporate business activities (Baldwin, 2010). On the execution level, it also engages in setting the direction of CSR disclosure scope and assists the company for legal and regulatory compliance (Adnan et al., 2009). From the theoretical point of view, it could help to increase the interaction with stakeholders and better understanding their demands (Asif et al., 2013).

Furthermore, it can be asserted that the inherent important functions of NGOs also contribute to the quality of CSR disclosure. In the current global phenomenon, it has been seen that NGOs are tremendously contributing to raise the awareness of problems and highlighting the role and responsibilities of companies to reduce the negative impact of their activities and products on the society (Sobczak and Martins, 2010). Furthermore, NGOs could also act as observers in overseeing the claims and programs that companies are carrying out in achieving better CSR performance (Amran et al., 2013). Besides, NGOs greatly help companies in enhancing their positive impacts toward the environment as NGOs normally possess relevant expertise and skills, especially international NGOs, like WWF (Sobczak and Martins, 2010). Therefore, it has been revealed that NGO alliance enhances the CSR disclosure quality among the companies in Asia-Pacific.

Apart from that, it is also suggested that the moderating effect of top management commitment is insignificant in this context. It might happen due to several reasons, such as the personal quality and characteristics of top management, which influence the social and environmental commitment, could vary considerably and are more likely to be affected by several inherent and nurtured acquired characteristics of their career (Quazi, 2003). A study by Quazi (2003) conducted in Australia, revealed that managerial commitment towards social and environmental obligations has a significant relationship with the level of managers' education and training status. Besides, religion could also influence managers' perceptions of social commitment. On the other hand, top management commitment towards the environment and society is also less likely to be used by companies as a buzzword or public relations strategy to enhance corporate image. An article supported this statement by reporting the complications and pragmatic barriers pertaining to CSR information disclosure based on the context of a real company, which is Nike (DeTienne and Lewis, 2005). The article presented the criticisms and suspicions from the public towards Nike's practices in advertising CSR disclosure using various public relation media to remedy its negative company image. Therefore, considering the finding of this study, it can be asserted that perhaps the prevalence of top management commitment from companies in Asia-Pacific has not yet enough to help reflect a clear moderating effect of top management commitment towards CSR disclosure quality.

In summary, this study has presented an investigation of CSR disclosure quality based on the legitimacy, stakeholder and agency frameworks in the Asia-Pacific context. The empirical results

provided important insights into the influence of national culture, corporate governance and CSR governance on CSR disclosure practices. The findings suggest that individualistic society would tend to have lower CSR disclosure quality. In fact, a national culture which is more inclined towards collectivism is important to enhance the quality of CSR disclosure. Perhaps, the quality of CSR disclosure among businesses can be improved through collectivist society. Furthermore, it would be worth the effort for businesses to collaborate with external stakeholders such as NGOs, as this initiative is an effective measure for businesses to maintain and improve their CSR disclosure. There is also a need to form a CSR committee as a strategic move. It is believed that the existence of a CSR committee unveils the varied perspectives and advantages, and most importantly is the positive influence on the quality of CSR disclosure. As CSR disclosure continue to be one of the important aspects in corporate governance, these findings further endorsed the significant role of CSR committee and NGO alliance, both are crucial to enhance the quality of CSR disclosure. Overall, the current research model can be applied as a guideline for future research. Nonetheless, future studies may consider other potential determinants and examine their association in a longitudinal basis. Moreover, future studies may want to replicate this study from other context and compare the results to verify the findings.

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