UNIVERSITY OF STRATHCLYDE
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AUTHENTIC, STRATEGIC AND SYMBOLIC STAKEHOLDER ENGAGEMENT: AN EVALUATION OF CSR AND ACCOUNTABILITY PRACTICES IN MALAYSIAN UNIT TRUST INDUSTRY

NORFAIEZAH SAWANDI

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Signed:
faiez

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TABLE OF CONTENTS

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ABSTRACT

This thesis is concerned with exploring and assessing CSR and accountability practices that are regarded as part of the stakeholder engagement initiatives of five case organizations operating in the Malaysian unit trust industry. The case organizations consist of four unit trust management companies (UTMC) and one unit trust self-regulatory organization (SRO). The empirical content of the paper is derived from a series of semi-structured interviews, along with a comprehensive analysis of documentary sources and observation of organisational CSR and accountability practices. The empirical evidences were evaluated against an idealised model of stakeholder engagement. The model was developed in this study to differentiate between CSR and accountability practices undertaken due to authentic felt responsibilities, symbolic purposes, strategic advantage or the business case. The model was constructed from the interaction of two dimensions, with the first dimension from a typology of CSR and the second dimension from a typology of accountability practices, constructing four broad categories of stakeholder engagements.

Firstly, the results reveal that the main CSR initiative of the case organizations is the voluntary financial education program for the public and the investors. Secondly, it is found that only one case organization provides accounts on social and environment through its CSR report. Thirdly, the empirical evidence suggests that the case organisations used the similar engagement practices for a range of different reasons, which included strategic and/or symbolic purposes. However, in some cases, the practices were associated with a mixture of concern for ‘others’ and their own business interest (Roberts, 2003, Shearer, 2002).

The research is based on an analysis in a specific context which may limit its wider applicability. The analytical framework developed in this study is an attempt to understand the often complex relationship between CSR and accountability practices, particularly in the financial sector and in the Malaysian regulatory context.

TABLES

FIGURES

ABBREVIATIONS

ASEAN	: Association of Southeast Asian Nations
ASNB	: Amanah Saham Nasional Berhad
CIS	: Collective Investment Scheme
CMSA	: Capital Market & Securities Act 2007
CSR	: Corporate Social Responsibility
CUTA	: Corporate Unit Trust Advisor
FIMM	: Federation of Investment Management Malaysia
GDP	: Gross Domestic Product
GNI	: Gross National Income
IUTA	: Institutional Unit Trust Advisor
NAV	: Net Asset Value
NEP	: National Economic Policy
NGO	: Non-Governmental Organization
PNB	: Permodalan Nasional Berhad
SC	: Securities Commission
SIDC	: Securities Industry Development Centre
SRO	: Self-Regulatory Organization
The Guidelines	: Guidelines on Unit Trust Funds
UT	: Unit Trust
UTC	: Unit Trust Consultant
UTF	: Unit Trust Fund
UTMC	: Unit Trust Management Company
YPB	: Yayasan Pelaburan Bumiputera

CHAPTER 1: INTRODUCTION

"...when corporations do good things only to help themselves, there is a profound limit on just how much good they can do in fostering better relationships." (Lehman, 2007, p.174)

1.1 Introduction

This study explores the often complex relationship between corporate social responsibility (CSR) practices and accountability practices. This investigation is both theoretically and empirically grounded, which leads to a conceptual model that can be used to understand the inter-connectivity of CSR and accountability practices undertaken by organisations. The theoretical exploration of CSR and accountability extends beyond economic and legal forms of responsibility (Dixon et al., 2006) and incorporates practices with the potential to encourage for-profit organizations to be more concerned about 'the others' than 'the self' (Roberts, 2003, Shearer, 2002).

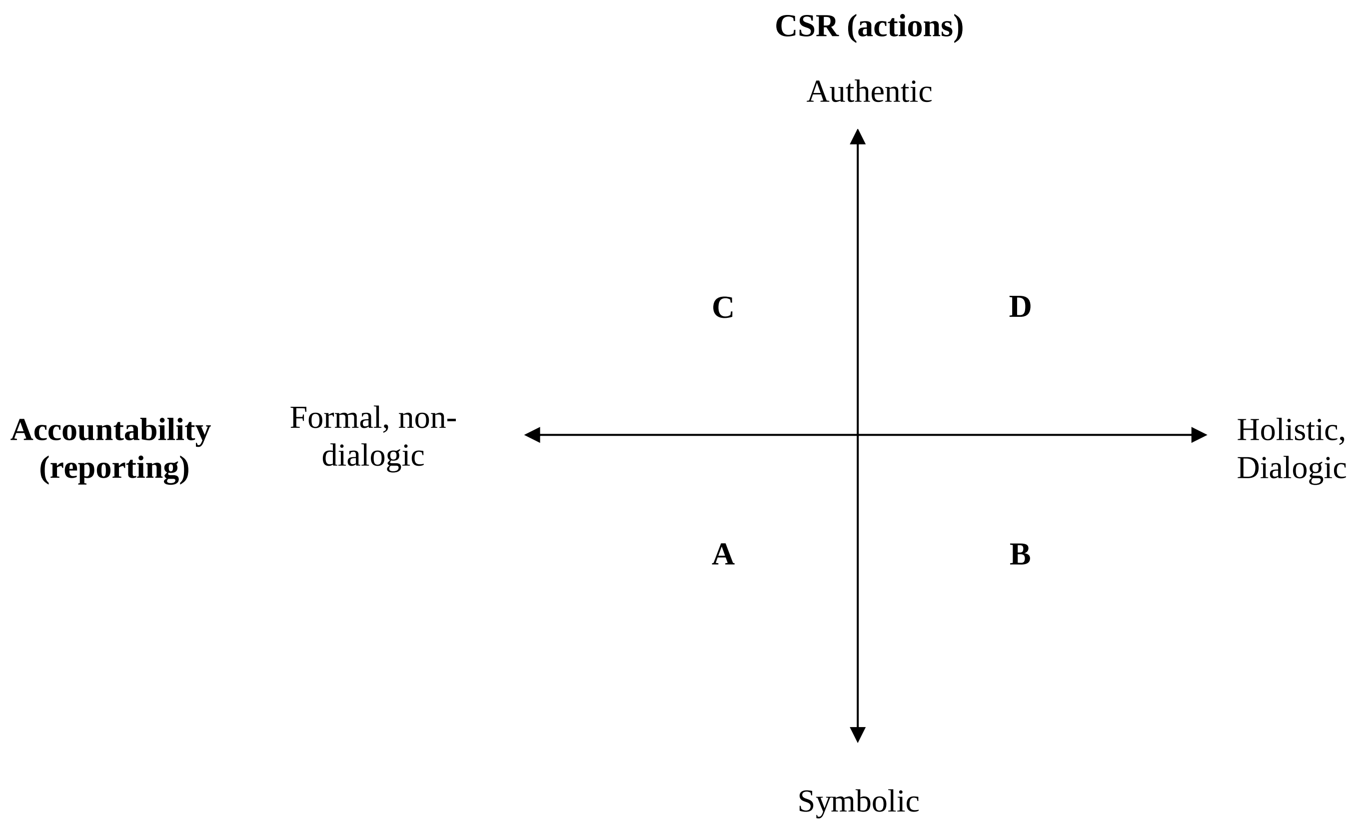
This thesis is built on the assumption that authentic CSR and accountability practices can deliver or create better relationships between organizations and society that will benefit all in the long run. Authentic CSR and accountability practices have the potential to rectify the power imbalance between corporations and society (Lehman, 2007, Roberts, 2003) and address some of the social costs arising from the activities of for-profit organizations. Both CSR and accountability practices are considered to be means of engaging with different stakeholder groups and incorporate a diverse set of practices. These diverse practices range in terms of their inclusiveness and transformative potential. In order to make sense of the prior research literature and allow an evaluation of organisational practices, this thesis develops a conceptual model that integrates elements of CSR research, accountability research and stakeholder engagement research (see Figure 1.1.)

This conceptual model enables the evaluation of the different CSR and accountability practices from a stakeholder engagement perspective. Further details on the construction of this model are provided in both Chapter 3 and Chapter 4. This model incorporates a wide spectrum of organisational practices, the motivations underpinning these practices, intended stakeholders and their transformative potential. The model allows the researcher to assess whether any particular engagement activity (action or account) is authentic, symbolic and/or strategic (Roberts, 2003, Burke and Logsdon, 1996).

The empirical exploration of CSR and accountability practices is based on five case organizations involved in the Malaysian unit trust sector. These cases include four unit trust management companies (UTMC) and the industry self-regulatory body. These case studies identify the range of CSR practices undertaken, the range of accountability practices, exploring the relationships between these practices and the motivations underpinning these activities. The accountability and CSR practices are evaluated in terms of their transformative potential in the Malaysian social, political and economic context. Of particular interest were the voluntary financial education practices which appear to have the potential to be effective mechanisms of discharging the social responsibilities of the case study organisations.

Although there are a number of similarities in the case study organisations, there are also a number of significant differences. Hence, this may illustrate the importance of particular organizational features in shaping the complex practices associated with discharging social responsibilities and accountability duties. The aim of this thesis is not to restrict the examination of CSR and accountability to a set of technical procedures or regulatory compliance. Instead, the aim is to explore the different ways in which the case study organisations attempt to discharge their felt responsibilities to others through their social responsibility activities and accountability duties. As part of this examination, particular attention will be paid to the theoretical and empirical distinction (and similarities) between CSR and accountability practices.

Figure 1.1 The Idealised Stakeholder Engagement Model



This study is motivated by several reasons that will be discussed in the following section.

1.2 Motivation of the Study

This study was initially motivated because of personal interest in the Malaysian Unit Trust Market which has a number of unique and important characteristics. This initial motivation was confirmed following an initial literature review that identified some potentially interesting conceptual and empirical gaps in relation to CSR and accountability practices.

1.2.1 Uniqueness of the Research Setting

The Malaysian unit trust industry is intertwined with the current state of and historical development of Malaysia's economic, political and social systems. The contemporary importance of the unit trust industry in Malaysia can be traced back to the ethnic riots in 1969. In 1970, following a period of intense conflict, the Malaysian government introduced the New Economic Policy (NEP) as an integral component of the Second Malaysia Plan. This plan had the goal to achieve national unity, stability and long-term economic prosperity and was designed to rectify the economic imbalance existing among Malaysia's ethnic communities, namely the *Bumiputera*[1] and non-*Bumiputera*. This imbalance was largely attributed to the political and administrative systems that existed prior to Malaysia gaining independence and also, the socio-economic dynamics of the complex multiracial society present during pre-independence (Permodalan Nasional Berhad [PNB], 2001, p.52).

The unit trust investment model was one of the mechanisms intended to achieve the objective of the NEP. The Malaysian unit trust investment sector was managed through a three-tier structure of government/government agencies/companies, in order to promote and increase share ownership in the corporate sector among the

[1] The term comes from the Sanskrit word bhumiputra, which can be translated literally as "son of land" (bhumi= earth or land, putra=son). It is also translated as "sons of the soil" which refers to Malay and "indigenous peoples" (Article 160(2)), natives" of Sarawak (161A (6) (a)), and natives of Sabah (Article 161A (6) (b)).

Bumiputera. This innovative investment model was intended to ensure the retention of shares in Malaysia, the cultivation of a savings culture and the development of entrepreneurship and investment skills in the *Bumiputera* community. It also resulted in a greater democratization of the capital markets in Malaysia with both rural and urban *Bumiputera* participating in corporate business through this saving-investment model (Securities Commission Malaysia, 2004, p.15).

Central to the success of NEP was to grow levels of domestic savings. The way in which the Malaysian economy recovered from the 1997/1998 Asian economic and financial crisis and the 2007/2008 global financial crisis, provided evidence of the importance of high levels of domestic savings in creating a resilient economic systems (PNB, 2001). The resilience of the Malaysian economy provided strong justification for the Malaysian government's serious and continuous efforts in mobilizing household savings into the capital market through the unit trust industry (Securities Commission Malaysia, 2010b, 2011a). The apparent effectiveness this model of capital formation in a developing economy was a major factor in choosing this topic for further study.

Over time the Malaysian unit trust industry has become more 'colourful' and competitive via the growth of private-sector UTMCs which now issue and sell unit trust funds to all Malaysians. Largely due to the initial success of the unit trust model the federal-government's UTMC have issued unit trust funds that are now sold to both *Bumiputera* and non-*Bumiputera*.

However, the success of the UTMC in widening saving and investment practices has also created another set of problems. The Securities Commission Malaysia (SC Malaysia) highlighted the major regulatory challenge arising from the general public's limited understanding of why and how to participate effectively in the unit trust investment markets (Securities Commission Malaysia, 2004). SC Malaysia has received many complaints regarding unsatisfactory retail sales practices where sales personnel (especially agents) have verbally guaranteed large returns, by not disclosing the risk of a fund and also, providing superficial, improper and conflicting advice to clients (Securities Commission Malaysia, 2010b). Many of the individuals participating in unit trusts are 'amateur' investors (Clark-Murphy and Soutar, 2004), members of the public who experience difficulties making informed investment decisions and may be influenced by advertising and promotional materials provided by UTMC or their agents (Diacon and Hasseldin, 2007). There is a perceived lack of relevant, reliable and timely information for individuals when making investment decisions. This is particularly important given the social role (and associated social responsibilities) of the Malaysian unit trust sector.

However, even if this information was available, SC Malaysia noted that there are investors who do not fully comprehend the nature of unit trust investments as the level of financial literacy among Malaysian investors is under-developed. SC Malaysia has stressed the importance of raising the level of investor awareness on fundamental investing principles (Securities Commission Malaysia, 2004, 2007, 2008, 2009a, 2010a) .

SC Malaysia has issued various acts and compulsory guidelines in order to protect investors and ensure a 'healthy' investment environment. The industry regulator has created a regulatory regime where non-conformance may lead to stiff penalties. Given these stringent legal requirements the Malaysian unit trust industry can be regarded as highly regulated and closely supervised. Within this regulatory regime, formal/ legal responsibility and accountability requirements dominate (Gibbon, 2010, Chisolm, 1995) and is mainly discharged through compliance with the reporting and disclosure requirements of the UTMC to investors and SC Malaysia.

However, the usefulness of these formal legal accounts to investors and potential investors is contingent of their ability to understand these technical financial accounts. These technical financial documents are not seen as useful in creating awareness of the UTMCs or their product or creating confidence as to the merits of unit trusts as a saving-investment vehicle among the general public. One of the main challenges to the unit trust sector is creating this awareness and securing the confidence of existing and future clients.

Some industry participants have undertaken a number of voluntary CSR and accountability initiatives, in addition to those prescribed by law or regulations. A key objective of this thesis is to evaluate the nature and effectiveness of these engagement initiatives to determine whether they are purely profit-driven to benefit the business or are they authentic examples of CSR or practices of discharging accountability in order to transform Malaysia.

1.2.2 Conceptual and Empirical Gaps

There is little academic research that examines the issues surrounding the social and environmental responsibilities of unit trust management companies and their accountability for these responsibilities. The main concerns of the existing literature has been the mandatory disclosure of the social consideration employed by investment managers in portfolio construction (Haigh, 2006), the performance of socially responsible mutual funds (Statman, 2000) and the interest of fund managers in social responsibility information (Buzby and Falk, 1978).

Far less attention has been given on the social and environmental responsibilities of fund managers and their accountability for these responsibilities. Consequently, little is known about unit trust industry managers’ corporate social responsibility and reporting, and the accountability practices for these responsibilities. Therefore, it is argued that it is important to empirically investigate how financial sector organizations, in particular Malaysian UTMCs perceive and discharge their social responsibility and accountability to stakeholders. Filling this empirical gap is an important justification for the selection of the research questions addressed in this study.

Prior research has been carried out on CSR and accountability practices in a range of other sectors in order to understand and explain CSR initiatives and accountability processes and practices. In the research literature a number of different, sometimes contradictory, theories have been developed in order to explain and understand such practices. A number of CSR and accountability theories or conceptual models that have been developed include, for example, Carroll (1979), Roberts (1991, 1996, 2003), and Gray et al., (1996).

However, it is argued that this prior research has tended to explore CSR and accountability separately and there has been limited development in integrating these two phenomena/conceptions together, despite the extent of the overlap of these practices. Theorising and observing an organizations' CSR and accountability practices together as means of stakeholder engagement might provide richer and broader understanding of these phenomena. The gap(s) that have been identified here and in the previous sections justify the selection the research questions of the study.

To help fill these gaps, this thesis is concerned with exploring and assessing CSR and accountability practices that are regarded as part of the stakeholder engagement initiatives of five case organizations operating in the financial sector in Malaysia. This thesis concentrates on the reflexive relationships amongst responsibility and accountability practices of the UTMC, statutory regulator, self-regulatory body and key stakeholders in the Malaysian unit trust industry, including consideration of stakeholders without formal levers of power. Central to this study is an evaluation of a range of CSR and accountability practices in an attempt to gain some insights on how these practices have been used, authentically or strategically/symbolical, by the case organizations to engage with the stakeholders.

The Malaysian unit trust industry provides an opportunity to examine the practices of discharging social responsibility and accountability through voluntary practices (i.e. financial education initiatives) and reporting in an industry where social responsibility and social impact is considered important and legitimate. An additional motivation for this particular study comes from the researcher's experience as a unit holder in two unit trust funds. The objective of conducting this research will be explained in the next section.

1.3 Research Objectives

This research aims to explore and understand the way key players in the Malaysian unit trust industry understand and practice their social responsibility and accountability by focusing on how they discharge this responsibility and provide accounts of this responsibility to the clients (Dixon et al., 2006), the public (community) (Hudson, 2000 as cited in Taylor and Warburton, 2003) and other stakeholders through the provision of voluntary financial education and other CSR and account-giving mechanisms.

It is the goal of this research to contribute to the understanding of the nature and practice of CSR and accountability (the lived phenomena) in the unit trust industry in Malaysia by drawing upon the insiders' perspectives rather than to generalize beyond the context (O'Dwyer and Unerman, 2007, Stake, 2005).

Specifically, the purpose of this study is to firstly, develop an integrating conceptual understanding of CSR and accountability practices based on stakeholder engagements. Secondly, this study aims to investigate (action- and account-based) stakeholder engagement initiatives in the case organizations. Thirdly, it attempts to observe empirically how organizations involved in the Malaysian unit trust market undertake CSR initiatives and accountability practices. Fourthly, to evaluate CSR and accountability practices using the stakeholder engagement model developed during this study.

This study develops an idealised model of stakeholder engagement constructed from the interaction of two dimensions. The first dimension is constructed from a typology of CSR and the second dimension from a typology of accountability practices. The interaction of these two typologies is used to construct four broad categories of stakeholder engagements which are represented as quadrants in the model. The four generic categorisations of stakeholder engagement attempts to differentiate between CSR and accountability practices undertaken due to authentic felt responsibilities, strategic advantage or the business case and/or symbolic purposes. This model is argued to provide a generic analytical framework which is able to evaluate CSR and accountability practices in a range of different contexts and its usefulness is demonstrated by its application to the Malaysian Unit Trust market.

This study seek to provide additional empirical evidence, building on previous studies that emphasised the importance of exploring the consequences of CSR and accountability practices in order to infer or assume motivations and evaluate the effectiveness of these processes and practices (Roberts, 2003, Sklair and Miller, 2010). By exploring, explaining and evaluating the case organizations' CSR initiative such as the education initiative, this study empirically contributes to the critiques that identify CSR and accountability practices as limited in what it currently achieves and in terms of its rhetoric about taking responsibility and discharging accountability to the society (see, for example Roberts, 2003, Unerman and Bennet, 2004, Greenwood, 2007, Sklair and Miller, 2010).

1.4 Research Questions

The research questions of this thesis are concerned with how social responsibility and accountability could or would be authentically discharged within corporate sector organizations such as UTMC and whether CSR programs such as the voluntary financial education initiatives and CSR report might be one way of enabling this to happen. Broadly, the research questions relate to (i) case organizations' perceptions of the scope of their social responsibility and accountability duties; as well as (ii) case organizations' initiatives in broadening their responsibility and accountability practices beyond economic and legal forms of responsibility and accountability. The following questions contextualize the research:

(i) How do the case organisations engage with stakeholders and what mechanisms are used in such practices?

(ii) What types of CSR initiatives and accountability practices have been undertaken by the case organisations?

(iii) Are the CSR initiatives and accountability practices undertaken to discharge the case organisations' social responsibility and accountability or to advance their hegemonic/business interests?

1.5 Context of the Study

The focus of the study is the Malaysian unit trust industry. Malaysia's unit trust industry is a significant component of the financial/capital market of Malaysia. Having grown five-fold over the last decade the unit trust industry is by far the largest component within the collective investment scheme (CIS) industry (Securities Commission Malaysia, 2011c)[2]. The industry net asset value (NAV), which surpassed the RM200 billion-mark in 2010, stood at RM241.08 billion[3] at end of August 2011 as compared to only RM43.3 billion[4] at the end of 2000. This figure represents nearly 20 percent of the NAV of Bursa Malaysia Market Capitalization (Securities Commission Malaysia, 2011b).

Assuming the trends will continue, the industry assets under management is expected to grow from RM377 billion[5] to RM1.6 trillion[6] over the next 10 years with industry penetration rate likely to almost double from 18 percent to 34 percent over the same period (Securities Commission Malaysia, 2011c). Individual investors and enterprises make use of unit trusts as a mechanism to invest in portfolio shares, bonds and other income yielding investments (MASB ED 26, paragraph 53).

The Malaysian unit trust industry was the largest domestic unit trust industry in the ASEAN region with a growth rate of 39 percent in 2007 and it continues to hold the biggest share in the region in terms of mutual funds and assets under management (Securities Commission Malaysia, 2008b). In brief, the unit trust industry has been a remarkable success story for Malaysia in terms of mobilizing domestic household savings and as an important policy instrument in the redistribution of the country's economic wealth (Securities Commission Malaysia, 2004, PNB, 2001).

The Malaysian unit trust industry, through Federal Government unit trust funds, has been one symbol of economy and political struggle of *Bumiputera* in securing and maintaining their rights, particularly, economy sources and country wealth. Unit trust

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[2] This is the latest statistic available during the time of study.
[3] Equivalent to GBP48.216 billion (assuming the exchange rate is RM5 = GBP1)
[4] Equivalent to GBP8.66 billion (assuming the exchange rate is RM5 = GBP1)
[5] Equivalent to GBP75.4 billion (assuming the exchange rate is RM5 = GBP1)
[6] Equivalent to GBP0.32 trillion (assuming the exchange rate is RM5 = GBP1)

funds have also been regarded as one important means in cultivating savings and investment habits among *Bumiputera* in particular and Malaysians in general.

1.6 Research Approach taken in this Thesis

The approach to this subject is broadly interpretative. It is worthy to note that the term CSR remains a tricky, puzzling and unresolved question (Moir, 2001, Dunne, 2008). Similarly, the meaning of the term accountability has changed and evolved in several directions (Hanberger, 2006, Mulgan, 2000, Sinclair, 1995) and will be constantly changing (Gray et al., 1996) and Sinclair (1995) opines that accountability is subjectively constructed and changes with context. She added that this will be enhanced by recognizing the multiple ways in which accountability is experienced.

In line with this perspective (e.g. of Sinclair, 1995, Gray et al., 1996) the researcher holds a view that the meaning and conception that people have about CSR and accountability may vary from one person to another due to different backgrounds such as experience, belief, values and context and may be shaped via interaction with others. Therefore, the meaning and conception of CSR and accountability can be both multiple and subjective. Consequently, it may affect the ways they define and discharge CSR and accountability.

The researcher believes that the form of responsibility and accountability and how they are discharged can be understood through understanding how these two concepts are constructed by those who are held accountable in the industry. Therefore, this study focuses on meanings that the industry participants hold about the concept of CSR and accountability and ways of discharging it (Easterby-Smith et al., 2000), in order to understand and evaluate the phenomena being studied. The research process is inductive in nature, as findings from the study may contribute to the development of theory(ies) (Morgan and Smircich, 1980) that are employed to explain and evaluate the case organizations' CSR and accountability practices as symbolic, strategic or authentic (Roberts, 2003, Burke and Logsdon, 1996, Porter and Kramer, 2006, Sprinkle and Maines, 2010).

As this study attempts to understand in depth how CSR and accountability emerges, develops and is practised through case organizations' CSR and accountability practices in the context of financial sector in Malaysia (unit trust industry), a case study approach was determined to be the most appropriate research method (Morgan, 1988, Yin, 2009). Yin (2009) argues that one unique strength of this approach is that it can deal with multiple sources of data. Data gathered from semi-structured interviews were used to address the research question regarding (i) case organizations' perspectives or views of their social responsibility and accountability scope as well as (ii) case organizations attempts to discharge social responsibility and accountability. Evidence gathered from document review and observation, then, was required in order (i) to corroborate the interview data as well as to (ii) make inferences (Yin, 2009).

1.7 Research Processes

Research work commenced by an attempt to describe and evaluate the regulatory framework as well as exploring the general performance and reporting practices of the unit trust industry in Malaysia. This work is considered essential in providing basic and key background of the industry. Then, two preliminary studies were undertaken through a desk survey of a sample of different documents related to the industry and its players.

Results from both the preliminary studies were then used to refocus the study and in the selection process of the case organizations and the interviewees. At the same time, the relevant documents were gathered and analysed by applying the common themes from the interview data for corroboration purposes. Taking into account findings from the previous stage, the focus of the study was slightly changed and accordingly the second phase of interview session and a direct observation at the Malaysian Unit Trust Week 2011 were undertaken to help construct a better picture of issues being researched. This was then followed by a second phase of documentation analysis of additional or new documents. All these were then integrated and synthesized together. Taking into account the recommendations from the thesis examiners, data was reanalysed and reinterpreted based on the new theoretical framework developed in chapter 3.

1.8 Empirical Findings, Limitations and Conclusions: A Short Note

Table 1.1 summarises the research questions and the empirical findings of this study. Firstly, it is documented that various mechanisms have been used by the case organizations to engage with the stakeholders that include both action-based (CSR) and account-based (accountability) engagement which includes informal conversations (Munro and Mouritsen, 1996) between unit trust consultants and unit holders, together with the voluntary financial education initiative.

Secondly, evidence suggests that the main CSR initiative of the case organizations is the voluntary financial education program for the public and the investors that have been undertaken in various forms and means. With regards to account-based (accountability) engagement, while evidence indicates that all case organizations are in compliance with reporting requirements, only one case organization, FGU, provides accounts on social and environmental through its CSR report.

It is also observed that Malaysia's unit trust industry emphasizes formal, mandatory and externally-driven accountability. The issuance of various acts, guidelines and standards by the industry regulators indicates that the business activities and operations of the industry players is closely governed and monitored. The mandatory requirements to issue and register mandated reports and disclosure, such as the fund's annual and interim report to the fund holders as well as online monthly reporting to the industry regulator are crucial means of accounts-giving (Ebrahim, 2003b) in the industry. These mandatory reports, while in full compliance with the SC Malaysia reporting and disclosure requirements, however, provide very little voluntary – non-financial, social – information. Therefore, this might be not enough to understand what goes on in the case organizations for the different stakeholders as the mandated reports are not sufficient themselves.

Thirdly, evidence suggests that the voluntary financial education initiative in some ways, demonstrates an authentic, pure motivation and intention of some case organizations in discharging social responsibility to investors and the general public by educating and equipping them with necessary financial and investment knowledge.

Table 1.1 Summary of research questions and findings

Research Questions (RQ)	Summary of Findings
RQ1: How do the case organisations engage with stakeholders and what mechanisms are used in such practices?	Evidence suggests that the case organizations' stakeholder engagement took two broad different forms that are action-based (CSR) and account-based (accountability) which involve the use of various formal and informal mechanisms for different stakeholders.
RQ2: What types of CSR initiatives and accountability practices have been undertaken by the case organisations?	Evidence suggests that the main CSR initiatives of the case organizations is the voluntary financial education program for the public and the investors that have been undertaken in various forms. While evidence indicates that all case organizations are in compliance with reporting requirements only one case organization, FGU, provides accounts on social and environmental through its CSR report.

Table 1.1 Summary of Research Questions and Findings (continued)

Research Questions (RQ)	Summary of Findings
RQ3: Are the CSR initiatives and accountability practices undertaken to discharge the case organisations' social responsibility and accountability or to advance their hegemonic/business interests?	In general, evidence suggests that the CSR and accountability practices for three case organizations, FGU, SBSU and SSU are authentically/responsibly undertaken to benefit intended broad range of stakeholders. In particular, dependent upon several characteristics, this study argues that the voluntary financial education initiative has a potential to enable the case organizations to discharge social responsibility. The characteristics or elements that might contribute to authentic CSR and accountability practices are 'genuine' motivation (to bring about change e.g. redistribute wealth in favour of the poor), appropriate mechanisms, and addressing a broad range of stakeholders regardless the power relations between the organizations and stakeholders.

Considering the competitive environment of the industry, however, it is hardly surprising to observe that this initiative has been used by some case organizations to serve their own business interests. Indeed, as indicated by the evidence, this voluntary financial education initiative has been utilized or marketed by some of the case organizations mainly for strategic/symbolic purposes (Roberts, 2003, Sklair and Miller, 2010). The voluntary financial education initiative has also been used in securing the case organizations' business (Roberts, 2003, Sklair and Miller, 2010) by creating and recreating confidence, trust, as well as supports from the – powerful and influential – stakeholders.

On the other hand, it is argued that the relationship between the conception of CSR and accountability and the mechanisms is reflexive in nature as both inform, and are informed by each other. The finding of this study, however, suggests that motivation or intention that drives a person or an organization to undertake an action is vital in determining the form(s) of responsibility and accountability that can be associated with such practices. The finding also shows that there is a separation between the motivation or intention and the actual actions. Hence, it is inadequate to infer motivation of any actions by merely based on observation of the actions. The difference in the case organizations' main motivation in undertaking the same initiative, therefore, indicates the importance to examine the substance rather than the form of the actions in order to identify 'authentic' CSR and accountability practices (Lehman, 1999, Roberts, 2003, Greenwood, 2007).

In particular, by depending upon several characteristics, this study argues that the voluntary financial education initiative has a potential to enable the case organizations to embrace a broader conception of responsibility by discharging social responsibility. The characteristics or elements that might contribute or lead to this are 'genuine' motivation and intention. Additionally, appropriate practices and mechanisms and addressing the stakeholders without discrimination or bias might also contribute to this.

The examples drawn from the case studies illustrate that CSR and accountability initiatives such as the voluntary financial education initiative is a social process, producing a partially socially constructed portrayal of the case organizations, and showing how various pressures such as economic, politic and social pressures influence, for example, the motivation underlying the CSR and accountability initiatives undertaken by the case organizations.

Finally, it is worthwhile to note that this study was carried out based on a Malaysian hybrid of the market economy - social welfare, in a developing country context. As this study focuses on the CSR initiatives and accountability practices of the case organizations within this particular governance approach some of the conclusions may not be transferred to other countries. It is acknowledged that the study context is specific (financial sector in Malaysia) and is based on a particular philosophy of governance which is not universal. The case organizations' CSR and accountability practices and mechanisms are evaluated within this particular worldview and it is beyond the scope of this thesis to discuss the appropriateness of this political governance regime. The researcher does not see this governance approach is substantively problematic although it could be improved. Hence, it is not the objective to propose changes to the current system of governance in this study.

1.9 Structure of the Thesis

By providing a brief overview of each chapter including its aims and how these aims are fulfilled, the reader will be able to gain an initial understanding of the existing links between each chapter and how these are integrated and connected to the ultimate objective of this thesis; an exploration and evaluation of CSR initiatives and accountability practices in the context of the Malaysian unit trust industry.

Chapter 1: Introduction

The aim of this chapter is to introduce the thesis. This is done by stating the motivation or rationale of this study, together with the research objectives and the research questions. In addition, the introduction also provides a brief account of the study context, the research methodology and methods employed, as well as the research process. A brief discussion of the main findings and conclusions is also presented. This chapter ends by explaining the structure of this thesis.

Chapter 2: Business and society - Corporate Social Responsibility (CSR)

Chapter 2 provides a depth discussion on the concept of corporate social responsibility (CSR) and aims to develop an understanding of different conceptions and approaches to CSR and the links between (i) CSR, accountability and stakeholder engagement and (ii) the different philosophies underpinning these approaches with the methodology used within the thesis.

Chapter 3: Concepts of accountability and theoretical framework development

Chapter 3 provides a depth discussion on the concept of accountability in different contexts. For example, market, public as well as NGO/third sector accountability. Similar with chapter 2 this chapter aims to develop an understanding of different approaches to accountability and the links between (i) accountability, CSR, and stakeholder engagement and (ii) the different philosophies underpinning these approaches with the methodology used within the thesis. This is then followed by development of the theoretical framework based on (normative) attributes of CSR initiatives (Chapter 2) and accountability (Chapter 3) processes and mechanisms that are regarded as part of organizations' stakeholder engagement.

Chapter 4: Research methodology and methods

Chapter 4 discusses the research philosophy adopted in this study as well as the research methods used to gather and analyse the associated data. First, the research philosophy (ontology, epistemology and methodology) employed in this study is explained. This is then followed by an explanation and justification of the research approach/design adopted as well as the research methods employed in collecting and analysing the data in this study. This section also covers issues on the research methods which include the choice of cases as well as the challenges or problems of accessibility. This is then followed by the discussion on the associated methods of conducting interviews and methods of analysing interview data, documentation review and observation.

Chapter 5: Cultural, economic and regulatory environment of Malaysia, and the Malaysian Unit Trust Industry

This chapter aims to describe the general situation in Malaysia and the unit trust industry background and framework. Additionally, this chapter attempts to explore and describe the population of Malaysia, the national language, culture, ethnicity, economic conditions and the regulatory bodies involved in monitoring the Malaysia capital market (especially the unit trust industry). All these aspects are important for rationalizing the empirical findings revealed in the empirical chapters.

Chapter 6: Descriptive findings of investigation into Malaysian unit trust industry

The aim of Chapter 6 is to present the empirical findings in the form of a rich description in order to illustrate, present and discuss the main issues observed within the case organizations. Firstly, findings from two preliminary studies are presented and discussed. Explanation on how the preliminary findings have influenced/directed the focus of the study is provided. Next, several significant issues relating to the industry that were discussed by several interviewees are also presented and discussed. This is then followed by a discussion relating to SC Malaysia's financial education efforts and the main issues of each of the case organizations. Common issues or themes identified relate to voluntary disclosure and CSR activity particularly voluntary financial education initiatives.

Chapter 7: CSR initiatives, accountability mechanisms and economic responsibility & accountability

Chapter 7 starts with analysis and discussion on issues or themes relating to CSR and the voluntary financial initiatives of the case organizations. It then presents and discusses meanings as well as means of accountability from the perspective of the interviewees which then is followed by a discussion over the case organizations' accountability mechanisms. The chapter also provides analysis of the key stakeholders of the case organizations. This chapter ends with discussion on economic responsibility and accountability practices in the industry as a form of responsibility and accountability which is dominant in the industry through the existing, and enforcement of, various legislations requirements by the regulators.

Chapter 8: Engaging the stakeholders - Embracing social responsibility or advancing economic agenda

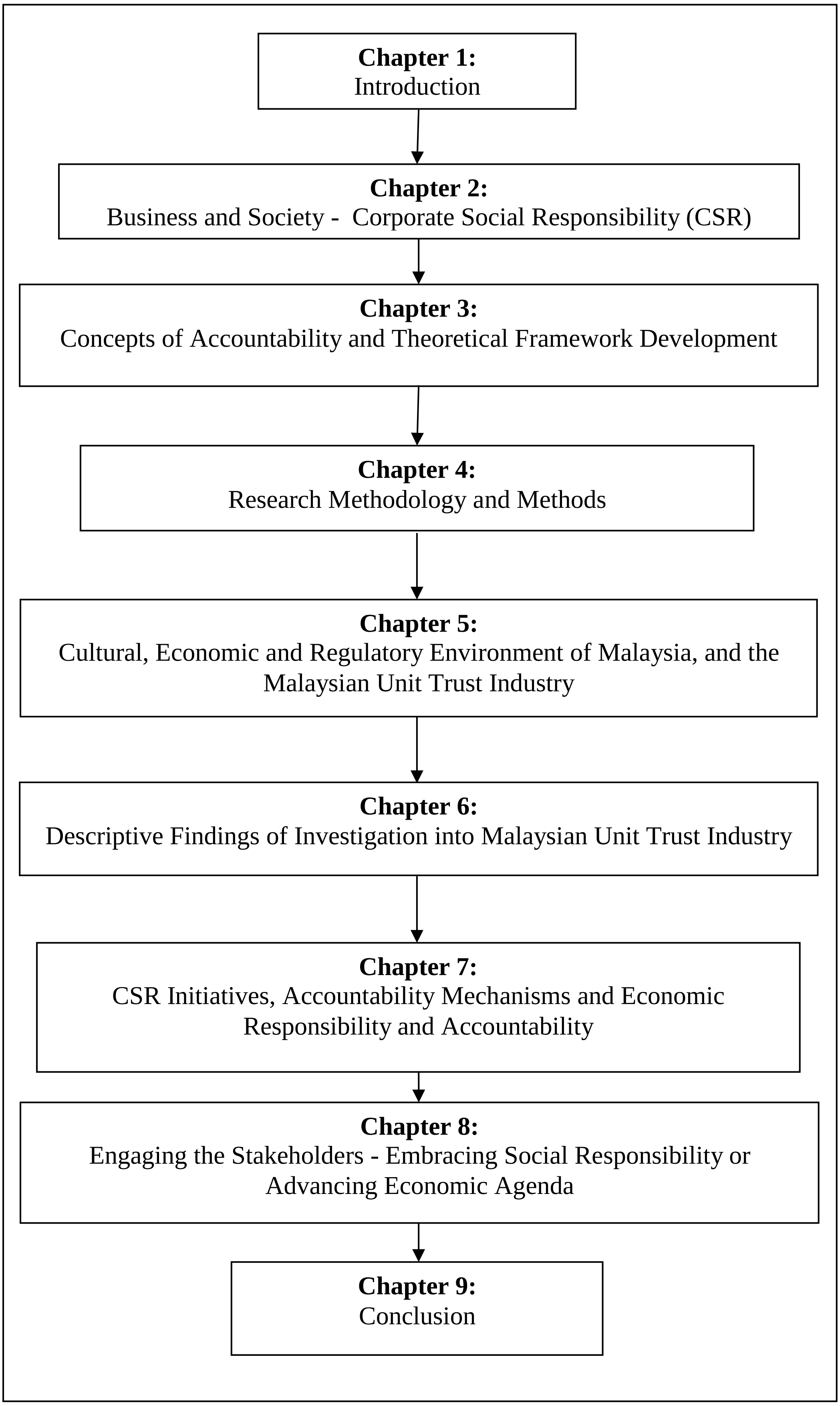
The aim of Chapter 8 is to report, theorize as well as evaluate empirical findings of the case organizations by employing the idealised stakeholder engagement model developed in Chapter 3. This chapter starts with discussion on the stakeholder engagement initiative of the case organizations which involve CSR programs, events, activities and accountability practice. This is then followed by a detailed analysis and discussion over evidence that might help to determine the (possible) underlying motives of the engagement initiatives of the cases mainly through the voluntary financial education initiatives. The chapter concludes by discussing the expected or possible impacts of the voluntary financial education initiatives.

Chapter 9: Conclusion

This chapter provides further discussion and overall conclusion on the key findings as well as highlighting the theoretical and empirical contributions of the study. In addition, the policy and practice implications of the findings are discussed in detail. This chapter also stresses the uniqueness and limitations of the study, providing some recommendations for future research.

Figure 1.2 outlines the structure of the thesis.

Figure 1.2 Thesis structure



1.10 Summary

This chapter introduces the thesis. This thesis concentrates on the responsibility and accountability relationship, focusing on CSR and accountability practices, between the case studies which are the unit trust management companies and the self-regulatory body in the Malaysian unit trust industry with their stakeholders that are without formal levers of power. The research reported in this thesis was undertaken using a case study approach.

The main motivation or rationale for this research is to explore and evaluate the CSR and accountability practices and mechanisms of the case organizations and whether these initiatives such as the voluntary financial education initiatives might be one way of enabling them to discharge social responsibility. In addition, the motivation to carry out this study was built on the researcher's experience as a unit holder in two unit trust funds.

Three research questions are addressed in this study. This is followed by a brief summary of the research approach, methodology adopted and employed in this study which will be explained in greater detail in Chapter 4. A very brief discussion of the main findings and conclusions are then provided before proceeding with some discussion on the structure of the thesis which briefly summarizes the rest of the thesis. The following chapter will give a review of the CSR literature.

CHAPTER 2: BUSINESS AND SOCIETY - CORPORATE SOCIAL RESPONSIBILITY (CSR)

2.1 Introduction

The purpose of this chapter is to provide an in-depth discussion on the concept of corporate social responsibility (CSR) and aims to develop an understanding of different conceptions and approaches to CSR and the links between (i) CSR, accountability and stakeholder engagement and (ii) the different philosophies underpinning these approaches with the methodology used within the thesis. Input from this chapter will be integrated with material in Chapter 3 to develop a theoretical framework that is undertaken in Chapter 3.

For such purpose, this chapter is organized as follows: Section 2.2 provides a brief background to a business and society relationship while Section 2.3 discusses CSR concept thoroughly and critically to include discussion over different definitions, approaches and how it links and overlap with accountability concepts. Section 2.4 discusses factors that drive organizations to undertake CSR. Meanwhile Section 2.5 discusses theories that are commonly used to explain CSR. Section 2.6 provides discussion over CSR, stakeholder engagement and how these two concepts are related. This is then finally followed by Section 2.7 which summarizes the chapter.

2.2 Business and Society

There are two primary constituency groups as far as the economic sector is concerned, business and citizenry or society. The corporation and its constituencies are interconnected members of an ongoing community, with an obligation to act responsibly toward one another. On one hand, it is argued that the relationship between business and society is subject to continual renegotiation. On the other hand, there is idea that business responsibility is an end state or a goal to be strived for (Blowfield and Murray, 2011).

Society, whose will is enacted through state, grants rights and accepts associated responsibilities. The state creates and sustains corporations by providing the necessary infrastructure such as security, regulation, judicial system and education. This is done generally through some sort of property ownership arrangements, society grants organization’s management the right to use its economic assets consist of natural, human, financial and technical asset. These assets are used by the organization to provide goods and services and employment opportunities for the citizens (Dillard, 2010, p.8).

The relationship between business and society, however, is complex, dynamic and far from settled. The businesses have been labelled as a body without a soul (Banerjee, 2008) that is merely concerned with pursuing private profits (Sklair and Miller, 2010). In the name of economic wealth and performance, there are businesses which are willing to do anything at any price, although it may cause disastrous effects to the surrounding. This unethical action has been argued as one of the key reasons behind the increasing criticisms over businesses in terms of social and environmental effects (Caroll and Buchholtz, 2003).

Hence, the idea of CSR that emerged in the mid-twentieth century has been argued as an attempt to create a soul for the corporate body based on its obligation to society by doing good to do good (Banerjee, 2008, p.15). On the other hand, Caroll and Buchholtz (2003) claim that criticisms over business which have resulted in increased concern for in terms of social effects and this has changed the nature of the social contract that has sparked business assumption of CSR.

CSR has been defined in many ways. One of the common definitions of CSR is encompassing the economic, legal, ethical and discretionary expectations that society has on organizations at a given point in time (Carroll, 1979, p.500). CSR also refers to corporate commitment to ethical behaviour, particularly in relation to social justice and environmental sustainability (Sklair and Miller, 2010, p.473). In an attempt to explore and understand this concept the following section provides further discussion on CSR.

2.3 Corporate Social Responsibility (CSR)

CSR has expanded considerably in recent decades, although there is evidence of some businesses acting responsibly towards society which have existed for centuries (Carroll, 1999, Freeman et al., 2010). Frederick (1994) identified a discourse on CSR as early as 1913. However, it was generally accepted in the research literature that CSR, as it is currently understood, has largely emerged around 50 years ago (Carroll, 1999, Holmes, 1976). CSR is typically associated with theories of organizational legitimacy (Benston, 1982) and with social contract theories (Moir, 2001, Gray et al., 1988). Both of these theoretical approaches view corporations as accountable to three groups – shareholders, stakeholders, and society in general (Benston, 1982, p.88).

However, there is a concern expressed which CSR has no clear business benefits and could destroy the value of the shareholders by diverting resources from core commercial activities (WBCSD, 1999, p.2). In his famous essay as cited in Mulligan (1986), Milton Friedman argues that people responsible for decisions and action in business should not exercise social responsibility in their capacity as company executives. Instead, they should concentrate on increasing the profits of their companies. In the course of the essay, he also argues that the doctrine of social responsibility is a socialist doctrine (Mulligan, 1986, p.265). Specifically, Friedman (1970) as cited in Mulligan (1986) argues that the exercise of social responsibility by a corporate executive is:

(a) unfair, because it constitutes taxation without representation;

(b) undemocratic, because it invests governmental power in a person who has no general mandate to govern ;

(c) unwise, because there are no checks and balances in the broad range of governmental power thereby turned over to his discretion;

(d) a violation of trust, because the executive is employed by the owners "as an agent serving the interests of his principal";

(e) futile, both because the executive is unlikely to be able to anticipate the social consequences of his actions and because, as he imposes costs on his stockholders, customers, or employees, he is likely to lose their support and thereby lose his power.

In a similar vein, Sundaram and Inkpen (2004) argue that the only objective a corporation should pursue is to maximize its shareholder value. With this stance, they seem to oppose to any company activities that do not directly contribute to this objective. They claim that this should be the case as it is the best among all available alternatives (Sundaram and Inkpen, 2004, p. 350) based on the following arguments (1) The goal of maximizing shareholder value is pro-stakeholder (2) Maximizing shareholder value creates the appropriate incentives for managers to assume entrepreneurial risks (3) Having more than one objective function will make governing difficult (4) It is easier to make shareholders out of stakeholders than vice versa and, (5) In the event of a breach of contract or trust, stakeholders, compared with shareholders, have protection (or can seek remedies) through contracts and the legal system (Sundaram and Inkpen, 2004, p. 353).

Others are critical about the underlying motive behind the CSR agenda (Sklair and Miller, 2010, Bendell, 2005). Focusing on CSR of Transnational Corporations (TNCs), which is regarded as a prime vehicle for the capitalist globalization system, Sklair and Miller argue that the practice of CSR is actually '...lays bare the weaknesses of capitalist globalization as a socio-economic system faced with the increasing demands of global social movements and democratic more generally' (Sklair and Miller, 2010, p. 473) by providing journalist '... with corporate good news stories, and pre-empting bad news with confusing and spin' (Sklair and Miller, 2010, p.475). They then insist on the urgent need of genuine CSR, one that puts human needs and ecological sustainability at the heart of corporate practice, rather than CSR that currently exist that prioritizes private profits, market share, stock market valuation and regulatory capture (Sklair and Miller, 2010, p. 492). Their argument is more or less similar to the concern in the early discussions within the social and environmental accounting (SEA) academy of whether CSR is nothing more than a mechanism that reinforces the status quo within a neo liberal democracy through its instrumental and prescriptive nature (Gibbon, 2010, p.28).

While Gibbon (2010) argues that "the link between CSR, structure and nature of society is demonstrated through different conceptions of accountability" (Gibbon, 2010, p.28), Bendell (2005) questions the accountability of multi-stakeholder initiatives (MIS) on CSR in the global South by providing evidences on how such practices restrict change and marginalise alternative approaches developed by local stakeholders. He also documented that some of these MIS response favour commercial interests to the extent they overlook the beneficiaries' rights. He also suggested shifting the discourse away from the stakeholder dialogue, participation and partnership towards an articulation of policy and practices that places democratic principles in the heart of the initiatives (Bendell, 2005, p.371).

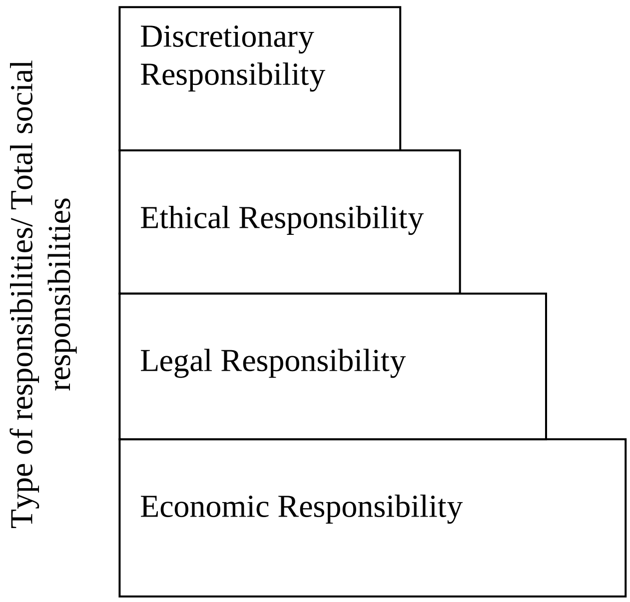
From the work of Gibbon (2010) and Bendell (2005), it can be seen that responsibility (or CSR) and accountability are two different but interrelated concepts that sometimes overlap. The link and overlapping between these two concepts can be seen clearly in Gray's et al. (1996, p.40) as they argue that the legal responsibility for action brings a moral responsibility to account which is only partially discharged by the legal responsibility to account, for example through mandated financial reporting.

In short, on one hand, CSR has been argued as a specific agenda imposed on businesses by civil society organizations that damages profitability and, therefore, the ability of businesses to generate wealth for society. However, another camp claimed that CSR is an idea that is dominated by businesses which is able to shape the agenda in its own narrow interests. Meanwhile, some are concerned that corporate responsibility is too narrow and it leaves out many of the key issues for which the public expects businesses to take responsibility. Finally, it is claimed that to date CSR has failed to achieve its goals and needs to be more rigorous and innovative in the future (Blowfield and Murray, 2011). Different critiques or concerns over CSR, to some extent, might reflect or influenced by different conceptions or beliefs on corporate responsibilities towards its stakeholders that could be broadly categorized into both a narrow and broad perspective that will be discussed in detail in the next section.

2.3.1 A Narrow vs. Broad Perspective of CSR

It is argued that business and society are intricately woven and that businesses had a responsibility to respond to societal needs and pressures (Clark, 2000). Broadly, corporate responsibility refers to the corporation's responsibilities to society, which often resides in public affairs and shareholder relationships and monitored by compliance to regulations and expectations (Blowfield and Murray, 2011). Carroll (1979) offers a framework for understanding the different aspects of corporate (social) responsibility. As shown in Figure 2.1, he identified four types of responsibilities; economic, legal, ethical, and discretionary (Carroll, 1979) under which the various actions taken to manage business relationships with society should fall (Blowfield and Murray, 2011).

Figure 2.1 Carroll's (1979) typology of corporate responsibilities



Source: Carroll (1979)

2.3.2 Economic Responsibility

Economic responsibility commonly refers to the fundamental responsibility of business to produce goods and services that society wants and to sell them at fair prices[7] (Blowfield and Murray, 2011, Caroll and Buchholtz, 2003). Under the free enterprise system, a business is regarded as an economic institution (Caroll and Buchholtz, 2003) where it is responsible for creating jobs, shareholder value, and goods and services and in that way contributes to society (Blowfield and Murray, 2011). Within this conceptualisation of CSR, managers act as agents to the business owners (principals) to operate/ run the business without the need to worry about the different outcomes (economic vs. social) as ultimately the company's value will reflect its social utility and how well it fulfils it social responsibilities (Blowfield and Murray, 2011).

However, many researchers now challenge that CSR is restricted to economic impact and argue that contemporary businesses have been ascribed wider social roles and responsibilities (Blowfield and Murray, 2011), which include legal, ethical and discretionary responsibilities (Carroll, 1979).

2.3.3 Legal Responsibility

Legal responsibilities reflect society's view of "codified ethics" in the sense that they embody basic notions of fair practices as established by lawmakers (Caroll and Buchholtz, 2003, p.36). Legal responsibilities refers to the obligations of business to fulfil its economic objective within the confines of the law (Blowfield and Murray, 2011, p.20). Hence in order to fulfil their responsibilities, companies need to be lawful and comply with relevant local, national and international laws that prescribe what companies can and cannot do (Blowfield and Murray, 2011). Legal frameworks (and associated sanctions), however, do not cover the full range of socially acceptable business practices and are often the final resort to address significant issues that cannot be resolved with reference to societal norms or other governing

[7] Prices that society thinks represent the true values of the goods and services delivered and that provide business with profits adequate to ensure its growth and perpetuation and to reward its investors (Caroll and, Buchholtz, 2003, p. 36)

mechanisms (Blowfield and Murray, 2011, Caroll and Buchholtz, 2003). Therefore, it is argued that CSR extends beyond a positive economic contribution to society and legal compliance.

2.3.4 Ethical Responsibility

Ethical responsibilities refer to aspects of CSR that are not determined by legal and regulatory frameworks and are not determined by economic factors (Blowfield and Murray, 2011, p.22). Ethical responsibilities embody the full scope of norms, standards and expectations that reflect a belief of what stakeholders such as consumers, employees and the community regard as fair, just and in keeping with the respect for or protection of stakeholders' moral rights (Caroll and Buchholtz, 2003, p.37). Businesses often voluntarily undertake socially responsible actions beyond what is demanded by regulations to avoid mandatory requirements being imposed on them as they believe that voluntary agreements or self-regulations will be easier to manage, more effective and perhaps less restrictive than new legal or regulatory frameworks (Blowfield and Murray, 2011, p.22).

2.3.5 Discretionary/ Philanthropy Responsibility

Businesses may also undertake activities that are guided by their desire to engage in social activities that are not mandated, not required by law, and not generally expected of business in an ethical sense. This type of activity can be driven from public expectation that it is a part of a social contract between business and society (Caroll and Buchholtz, 2003). Activities that might be carried out under this type of responsibility include, for example, corporate giving, donations, volunteerism and any other kind of voluntary involvement with the community of other stakeholders (Caroll and Buchholtz, 2003).

Those who subscribe to a narrow perspective of CSR argue that the only responsibility of business is to make profit (economic responsibility) by complying with relevant laws and acts (legal responsibility). This stance is based on the notion of shareholder value maximisation which can be noticed clearly from the views of Freedman (1970 as cited in Mulligan, 1986) and Sundaram and Inkpen (2004) as discussed earlier. On the other hand, a broad perspective of CSR is subscribed by those who believe that business responsibilities are not merely about economic and legal responsibility but including responsibility over social and environment as well (see, for example, Gray et al. 1996, Roberts, 2003).

Despite these differences, CSR has become an important item on the commercial agenda for many companies (Moir, 2001). For example, the World Business Council for Sustainable Development's (WBCSD) (1999) initiatives to assist its members to develop a clear understanding of CSR, which also included developing a matrix of CSR indicators. As predicted by Carroll (1999), CSR has developed into a contested area in the academic literature (Bakker et al., 2005) in trying to understand the rationality of companies that undertake CSR, what CSR activities are undertaken by companies, evaluating the impact of CSR and whether CSR activities are actually responsible or socially beneficial (see, for example, Bendell, 2005, Dunne, 2008, Gulyás, 2009, Herremans et al., 1993, McWilliams and Siegel, 2001, Quaak et al., 2007, Roberts, 2003, Sklair and Miller, 2010).

Research into CSR remains contested and the term CSR means remains a tricky, puzzling and unresolved question (Moir, 2001, Dunne, 2008). The following section, therefore, will first, examine the debate about the nature of CSR and current attempts to define CSR. It then looks at some theories to explain how and why business might undertake CSR.

2.3.6 Defining Corporate Social Responsibility: A Vague and Complex Concept

The concept of CSR has existed for a very long time (Carroll, 1999, Freeman et al., 2010, Quaak et al., 2007, Gulyás, 2009), but a formal and universally acceptable definition has yet to emerge (Freeman et al., 2010, WBCSD, 1999). Votaw (1973) as cited in Carroll (1999) demonstrates the multiplicity of its meanings:

The term of [social responsibility] is a brilliant one; it means something, but not always the same thing, to everybody. To some it conveys the idea of legal behaviour in an ethical sense; to still others, the meaning transmitted is that of "responsible for", in a causal mode; many simply equate it with a charitable contribution; some take it to mean socially conscious; many of those who embrace it most fervently see it as a mere synonym for "legitimacy", in the context of "belonging" or being proper or valid; a few see it as a sort of fiduciary duty imposing higher standards of behaviour of businessmen than on citizens at large (Carroll, 1999, p.11).

Other commonly used definitions of CSR include:

Encompassing the economic, legal, ethical and discretionary expectations that society has of organizations at a given point in time (Carroll, 1979, p.500).

Actions that appear to further some social good beyond the interests of the firm and that which is required by law (McWilliams and Siegel, 2001, p.117).

Similar to Carroll's (1979) definition, Sklair and Miller (2010) refer to CSR as "...corporate commitment to ethical behaviour particularly in relation to social justice and environmental sustainability" (Sklair and Miller, 2010, p.473). In a different vein, Sethi (1975) proposes three dimensions to distinguish corporate behaviour in response to social needs, which are social obligation, social responsibility, and social responsiveness. He claims that social obligation is corporate behaviour "in response to market forces or legal constraints" (Sethi, 1975, p.60) with only economic and legal is accepted as criteria for legitimacy.

Social responsibility, by contrast, goes beyond social obligation. Sethi (1975, p.62) stated, "Thus, social responsibility implies bringing corporate behaviour up to a level where it is congruent with the prevailing social norms, values, and expectations of performance". Whilst, in the third stage of adaptation to social needs, social responsiveness means that corporation is expected to anticipate the changes that are likely to take place in the future (Sethi, 1975, p.63) and acts accordingly.

Due to its complexity and vagueness, it is argued that there is no universally accepted definition of CSR (WBCSD, 1999), but as what seems to be in line with the notion of social contract, some suggest that CSR is about what a business is able to put back for the society, simultaneously being able to provide evidence and ultimately, the benefits it receives from society (WBCSD, 1999). In specific, how businesses do define CSR among all the others as proposed by WBCSD:

> ‘the ethical behaviour of company towards society where the management acting responsibly in its relationships with other stakeholders who have a legitimate interest in the business.’

and CSR, in more general, also commonly held to refer to:

> ‘the interaction of the corporation with the legal and social obligations of the societies in which it operates, and how it accounts for those obligations’
>
> (WBCSD, 1999)

Moreover, as guidelines to its members of companies in undertaking CSR activities, the WBCSD (1999) has identified five areas which are human rights, employee rights, environmental protection, supplier relations and community involvement as CSR priority issues. In addition to what has been recommended by the WBCSD (1999), the advocates of CSR has identified increasingly an array of issues including among others employee relations, human rights, corporate ethics, community relations and the environment as CSR areas (Moir, 2001).

The economic perspective adopted will influence the extent to which a business will undertake CSR and determine the forms of responsibility that will be accepted (Moir, 2001). For example, the provision of employment and payment of taxes will be considered as the only social responsibility of businesses for those who adopt the neo-classical perspective of the firm (Moir, 2001). This stance, that is based on the notion of shareholder value maximisation, is clearly reflected in the views of Milton Friedman (1970). This perspective also reflects Carroll’s (1979) economic responsibility that regards business as an economic institution (Caroll and Buchholtz,

2003) with responsibility to create jobs, shareholder value, and goods and services and in such a way it contributes to society (Blowfield and Murray, 2011).

On the other hand, business might view corporate social activity from a standpoint that examines the political aspects and non-economic influences on managerial behaviour (Moir, 2001, p.17) based on the work of Cyert and March (1963) as cited in Wartick and Wood (1998). This wider conceptualisation of CSR can be developed into two identifiable strands (Moir, 2001). The first part is associated with some form of moral or ethical imperative because a business has been allowed access to society's resources, therefore a business should assist in solving social problems (Moir, 2001, p.17) regardless whether the business contributes to the problem or not. This responsibility is explained and termed by Carroll (1979) as ethical responsibility that embodies the full scope of norms, standards, and expectations that reflects a belief of what stakeholders regard as fair, just and in keeping with the respect for or protection of stakeholders' moral rights (Caroll and Buchholtz, 2003, p.37).

The second strand of the research literature claims that it is in the enlightened self-interest of a business to undertake various forms of CSR (see, for example, O'Dwyer, 2003). In this strand of research, CSR activities are expected to produce future business benefits such as enhanced reputation, goodwill and greater employee loyalty and retention (Moir, 2001). Similarly, Holmes (1976) found that almost all executives who participated in her study believed that CSR would enhance corporate reputation and goodwill. On the other hand, Blowfield and Murray (2011) argue that businesses often voluntarily undertake socially responsible actions beyond what is demanded by regulations to avoid mandatory requirements being imposed on them.

In addition, the WBCSD (1999) promotes a view that a coherent CSR strategy based on sound ethics and core values offers clear 'business benefits'. They further emphasise that a CSR strategy helps to align corporate and societal values, thus improving reputation and maintaining public support (WBCSD, 1999). The essence behind the notion of the enlightened self-interest is more or less the same as what Roberts (2003) termed as the ethics of narcissus, albeit the latter is commonly the result of a negative external visibility, that will be discussed in the following paragraphs.

In an attempt to critically differentiate between the image and substance in what is claimed as the social responsibility of companies, Roberts (2003) outlines four different versions of CSR. The first version is a negative form where CSR is squeezed out due to intense financial pressure. Here 'the ethical sensibility is routinely occluded in the way that exclusively financial interests, advertised and enforced by the disciplinary processes both within and beyond the corporate hierarchy, have the effect of rendering us defensively or assertively preoccupied with the self'(Roberts, 2003, p. 263).

Termed as the ethics of narcissus, the next category sees CSR undertaken by a company in response to negative external visibility 'by manufacturing the appearance of its own goodness via the production of corporate ethical codes and new forms of social environmental reports' (Roberts, 2003, p. 263), CSR, therefore, is merely as a form of public relations to enable business to operate as usual. This is similar to Bendell's (2005) argument that part of the reasons for CSR initiatives is to manage risks of reputational damage from NGOs, politicians, the media and/or regulators.

The third form envisages CSR as 'new forms of measurement and incentives to motivate corporate to give more attention to the ethical, social and environmental impacts' (Roberts, 2003, p. 1) with the desire for change for an ethical turn within business, this may be genuinely motivated. These efforts seek to give sincere moral sensibility within the corporations by embedding corporate policy beneath the surface of corporation by means of new forms of internal controls and associated rewards and incentives (Roberts, 2003), such as a triple bottom-line reporting technology. Roberts (2003), however, reminds us that such discipline regimes still stimulate a narcissistic self-preoccupation as these forms of remote self-representation can capture only what is looked for and is amendable to quantification. Due to these weaknesses, the remote visibility as captured by organizations is a visibility without sensibility (of responsibility).

Meanwhile, in the final form of CSR, Roberts (2003, p. 1) proposes ‘a dialogue across corporate boundary with those most vulnerable to the effects of corporate conducts’. Roberts (2003) argues that only through a face-to-face dialogue with this group of stakeholders, a possibility of informing corporate ignorance of its actual effects as well as of learning to make a reality of CSR can be created. With such a dialogue session the use of other accounting technologies, such as corporate codes and reports can be seen as genuine vehicles to supplement corporate attempts in creating authentic CSR (Roberts, 2003).

2.4 Factors that Influence Organizations to undertake CSR Activities

Prior literature on CSR has suggested several forces that might influence an organization to undertake CSR activities. These factors could be categorized into external and internal factors to include government interventions or legislations, NGOs pressure and business case.

2.4.1 External Factors

2.4.1.1 Government/ Legislation

As corporation’s role in society is yet to be sorted out (Buhr, 2007, as cited in Thien, 2011) some believe that legislation could encourage company to be more responsible. Government’s interventions through legislation have been observed to have the most impacts on organisations’ environmental policy, followed by public concerns (Banerjee, Iyer and Kashyap, 2003).

In addition, Banerjee (2008) argues that legislation could force organisations to be more creative and result in making changes in their products, services and processes to become socially and environmentally beneficial. Prior studies find that government has a positive influence over a company’s social responsibility disclosure practice (Prado-Lorenzo et al., 2009, Amran and Devi, 2008, Ghazali, 2007). Buhr (2007 as cited in Thien, 2011), however, argues that mandated activities such as CSR reporting can lead to negative consequences as it may encourage stifle innovation and limit experimentation or creativity among organizations.

2.4.1.2 Non-governmental Organizations

The rising influence of NGOs is one of the most significant developments over the past 27 years (Doh and Guay, 2006). Like governmental stakeholders, it is argued that non-governmental organisations (NGOs) and civil society movements have influence over business organisations to be more responsible and accountable for their actions (Thien, 2011, p.24). O'Sullivan and O'Dwyer (2009), for example, reveal how NGO campaigns for greater financial institutions responsibility and accountability over social and environmental aspects. In general, financial institutions responsibility over social and environmental aspects refers to actions that should be undertaken or avoided by these institutions to ensure that there will be no negative impacts or outcomes like pollution on the environment. Following from this responsibility is a requirement for these institutions to be accountable over these aspects by providing accounts explaining and justifying actions that have been undertaken (or not). This accountability is discharged through mandated financial reporting and social and environmental reporting (CSR report) Gray et al. (1996).

In O'Sullivan and O'Dwyer (2009), it was observed that the pressure by the involved NGOs influences the financial institutions legitimisation process through the Equator Principle[8] . In exploring the influence of WWF-Australia had on the environmental reporting practices of the Australian minerals industry, Deegan and Blomquist (2006) found that the WWF's initiative caused revisions in the industry code, as well as changing the reporting behaviour of individual mining companies.

[8] The Equator Principles were launched in 2003 by ten international commercial banks as a voluntary set of common environmental and social risk management guidelines for their project finance activities worldwide (O'Sullivan and O'Dwyer, 2009, p.554)

2.4.2 Internal Factors

In additional to external factors, business cases have been argued to influence company to undertake CSR (Dillard, 2008, Thien, 2011). This could be linked, for example, to secure competitive advantage, brand or image building, or as an integral part of company's risk management efforts (Sprinkle and Maines, 2010). Organization's vision, mission and values might also have influence on company's CSR policy and activity. Snider et al. (2003) for example, found that there is interplay between the overall missions of organizations and their perceived corporate social responsibility.

Moir (2001) questions the justifications of seeking/expecting responsibility that goes beyond economic matters from the companies, to whom and who is calling for firms to be socially responsible. In a humble attempt to answer those questions, in addition to the two theories/models (of Carroll, 1979 and Roberts, 2003) that have been explained earlier, four other theories which typically used to explain/justify CSR that have been undertaken by an organization will be briefly explored in the following sections.

2.5 Theories to Analyse and Explain CSR

There are several theories that have been employed to explain CSR practice. These theories are within what Gray et al. (1996, p.45) argue as "...a more systems-oriented view of the organization and society". Gray et al. (2006, p.45) further claimed that "these theories permit us to focus on the role of information and disclosure (accounting and CSR) in the relationship(s) between organizations, the State, individuals and groups". In the accounting literature, stakeholder theory (see, for example, Quaak et al., 2007, Freeman, Harrison, Wicks, Parmar, et al., 2010), legitimacy theory (see, for example, Lindblom ,1994), the social contract (see, for example, Moir ,2001) and the institutional theory are the most widely employed of these theories. Recently, however, a growing number of studies have emerged to apply accountability framework in an attempt to explain the practice of CSR in a much broader context (see, for example, Buhr ,2001, Gray et al.,1996, Adams, 2004).

2.5.1 Stakeholder Theory

Stakeholder theory assumes that organizations, on top of the shareholders, serve a broad public purpose which is to create value for society (Lawrence and Weber, 2007, p.6). As put forward by Wartick and Wood (1998, p.96), the intention of the theory is "...to provide a sound theoretical understanding of the complex interweaving of business organizations with other societal institutions and with the socio-political environment". Freeman (1984, p.24) as cited in Wartick and Wood (1998) defined a stakeholder as "any group or individual who can affect or is affected by the achievement of the firm's objectives".

According to Gray et al. (1996), there are two variants of stakeholders theory. The first variant sees organization-stakeholder interplay "as a socially grounded relationship which involves responsibility and accountability. Therefore, the organization owes accountability to all its stakeholders" (Gray et al., 1996, p.45). Here, the relationship between the stakeholders and the organization will determine the nature of the accountability (Gray et al., 1996).

Under the second variant, the stakeholder theory may be applied "in a strictly organization-centred way" (Gray et al., 1996, p.46). Different from the first strand (accountability framework) where the stakeholders are identified by the society, here the stakeholders are identified by the organization (Gray et al., 1996). As particular stakeholders are deemed more important to the organization, the more effort will be exerted by the organizations in managing the relationships (Gray et al., 1996).

In terms of means, information, as claim by Gray et al. (1996, p.46), "... is a major element that can be employed by the organization to manage (or manipulate) the stakeholder in order to gain their support and approval, or to distract their opposition and disapproval". Hence, from the lenses of the stakeholder theory, voluntarily disclosed CSR may be interpreted "... as indicative of which stakeholders matter most to an organization, and thus, those which the organization may be seeking to influence" (Gray et al., 1996, p.46).

2.5.2 Social Contracts Theory

Under the social contract theory, Schoker and Sethi (1973, p.97) argue that a business is operating in a society via a social contract whereby its survival and growth are based on the delivery of some socially desirable ends to society. This generally also includes the distribution of economic, social or political benefits to the group from which it derives its power.

The essence of the theory as explained by Gray et al. (1996, p.39) as "...a society can be thought of as a series of individual 'social contracts' between members of society and society itself. Those contracts can be thought of as both legal and non-legal-that is, moral or natural contracts; that is some relationships and parts of some relationships are governed by law whereas other relationships-and some parts of all relationships-are governed by the ruling ethics, values, and principles of society. These 'contracts' provide the basis for the rights of the parties in that relationship-including rights and responsibilities relating to information flows".

Taking into account those assumptions, an organization is expected to undertake CSR activities which are beyond the legal requirements to meet the expectations of the society. In addition, information about those activities is likely to be provided voluntarily by the organization via common communication channels, such as the annual report and/or website.

2.5.3 Legitimacy Theory

Legitimacy as defined by Linblom (1994) "is a condition or a status which exists when an entity's value system is congruent with the value system of larger social system of which the entity is a part" (Lindblom, 1994, p.1). Dowling and Pfeffer (1975) argue that as "an actual or potential disparity exists between the two value systems, there will exists a threat to organizational legitimacy" (Dowling and Pfeffer, 1975, p.122). This is what is termed by Lindblom (1994) as a legitimacy gap. As the gap exists and perhaps becomes larger, a corporation should take appropriate actions or otherwise it could be penalised in terms of legal, economic and/or social in nature (Dowling and Pfeffer, 1975).

Considering the implications of the gap, Lindblom sees that "the perceived detriments, indeed in the extreme the treat to corporation's survival, the corporation may wish to evaluate its legitimacy status and communicate the status or they may engage in legitimating efforts" (Lindblom, 1994, p.2). He further argues that the voluntary social disclosure undertaken by corporations could be parts of legitimating efforts. And in doing so, he outlines four alternative strategies that have implications for corporate social disclosure. Under the first strategy, the corporation is making internal adjustments to close the legitimacy gap. Here, he claims that 'the corporate social disclosure may be used to communicate changes in the corporation's output, methods, and goals which have been made in response to shift in the relevant public's expectation' (Lindblom, 1994, p.6).

Secondly, legitimating efforts may result wherein the organizations attempt to demonstrate the output, methods and goals to the public via education and information (Lindblom, 1994, p.6) in efforts to manage the public perception. Under this alternative, instead of a change in business or social performance, what is important is only a change in public perception towards the organizations.

Meanwhile under the next strategy, Lindblom suggests that 'the corporation attempt to associate itself with symbols having high legitimate status wherein the corporate social disclosure may be fairly extensive and will be stated in highly positive terms' (Lindblom, 1994, p.7). Finally, under the fourth alternative, by giving emphasis on education and information, instead of making internal adjustment to close the legitimacy gap, the corporation seeks an adjustment in societal expectation. Here, Lindblom argues that 'the corporate social disclosure serves a dual purpose. While it does educate and inform the relevant publics on the corporation's perceptions of appropriate output, methods or goals, it is not neutral, unbiased information regarding the status of the output, methods or goals' (Lindblom, 1994, p.8).

Considering the implications of the legitimacy gap, therefore, Lindblom sees that 'the perceived detriments, indeed in the extreme the threat to corporation's survival, the corporation may wish to evaluate its legitimacy status and communicate the status or they may engage in legitimating efforts' (Lindblom, 1994, p.2). As discussed earlier, he argues that the voluntary social disclosure undertaken by corporations could be part of the legitimating efforts. Accordingly, to a certain extent, legitimacy theory may be able to explain the corporation's decision to provide voluntary information.

2.5.4 Institutional Theory

Institutional theory emphasises the survival value of conformity with the institutional environment which can lead to, for example, increased stability, legitimacy, and access to resources (Ball and Craig, 2010, p.283). DiMaggio and Powell (1983, p. 148 as cited in Thien, 2011) in their development of institutional theory ask "...why there is such startling homogeneity of organisation forms and practices; and we seek to explain homogeneity, not variation". In this theory DiMaggio and Powell explicitly linked institutional thought to ideas about networks (Greenwood and Meyer, 2008).

DiMaggio and Powell specified "three mechanisms of isomorphic institutional change": *coercive* mechanisms, which occur when external constituents on which an organization is dependent or cultural expectations in the society within which organizations function cajole or force organizations to change in a certain way; *normative* mechanisms, which arise primarily from professionalization projects; and *mimetic* mechanisms, which occur when organizations copy successful role models either because their actions are believed to be rational or because of a desire to avoid appearing deviant or backward (Greenwood and Meyer, 2008 p.262-263).

DiMaggio and Powell (1983, as cited in Thien, 2011) argue that in practice it is not easy to isolate the three isomorphic forms and it is more than likely that some form of combinations are operating simultaneously, and they may not necessarily lead to organisational efficiency. Through the isomorphism process, they offer the idea of powerful institutions imprisoning organisations in an iron cage within the institutional field or industry sector, which then leads to organisational homogeneity. Powerful organisations are argued to be able to use strategies that help to avoid and neutralise pressure from organisations in the institutional field (Thien, 2011).

While there are many ways or approaches in defining CSR, Roberts' (2003) four frames of CSR is regarded as the most appropriate to be employed in this study. Accordingly, while each of the theories discussed in this chapter has it owns strength in explaining and evaluating CSR, Roberts' (2003) framework of CSR will be the primary reference in developing the theoretical framework of this study as it provides ways and categorisations to critically assess organizations' CSR (and accountability) initiative. For such reason, Roberts' (2003) framework will be employed in this study to analyse and differentiate between image and substantive CSR initiative of the case organizations that is part of their stakeholder engagement efforts. Further discussion on stakeholder engagement and CSR is undertaken in the following section.

2.6 CSR and Stakeholder Engagement

There is a growing pressure on corporations, nowadays, to effectively manage their stakeholders and it is argued that effective stakeholder relationship management is, *inter alia*, characterized by dialogue and engagement (Amaeshi and Crane, 2006). Amaeshi and Crane argue that (2006) it is the act of managing the relationship between the firm and different stakeholders in order to enhance the effectiveness of the firm's decisions and strategies. Organisations may adopt a differing media such as CSR programs, activity, event and reporting to engage with a diverse set of potential stakeholders (Adams and Frost, 2006). Details discussion on stakeholder engagement is undertaken in the following section.

2.6.1 Stakeholder Engagement

Stakeholder engagement can be defined as practices that the organisation undertakes to involve stakeholders in a positive manner in organisational activities (Greenwood, 2007, p.317) to include CSR activities and reporting. Based upon this definition and given the varied set of organisational stakeholders, Greenwood (2007) argues that engagement practices may exist in many areas of organisational activity including public relations, customer service, supplier relations, management accounting and human resource management (Greenwood, 2007, p.318). In these contexts, Greenwood argues that engagement may be seen as a mechanism for consent, as a mechanism for control, as a mechanism for co-operation, as a mechanism for accountability, as a form of employee involvement and participation, as a method for enhancing trust, as a substitute for true trust, as a discourse to enhance fairness, as a mechanism of corporate governance.

A review undertaken by Greenwood (2007) identified a broad range of different depictions of stakeholder engagement from business ethics, social accounting and human resource management, grouped into themes of responsibility, *managerialism* and social control and construction. Based on Greenwood's (2007) definition on and the depictions of stakeholder engagement, it can be argued that stakeholder engagement encompasses both CSR activities (Adams and Frost, 2006) and accountability (via e.g. CSR reporting) (Adams and Frost, 2006, Thomson and Bebbington, 2005). As noted by Greenwood (2007), it is also argued that stakeholder engagement is a vital element of social and environmental accountability (Thomson and Bebbington, 2005) that can help an organization to produce critical, dialogic and educative social and environmental report (Thomson and Bebbington, 2005). The next section provides further discussion on form of CSR as means of stakeholder engagement.

2.6.2 CSR & Stakeholder Engagement: Authentic, Strategic and/or Symbolic

Ideally, stakeholder engagement would take the Rawlisan form of a ‘‘mutually beneficial and just scheme of cooperation’’ (Phillips, 1997, p.54 as cited in Greenwood, 2007) which depicts stakeholder engagement as a moral partnership of equals. In reality, Greenwood (2007, p.318), however, argues it is likely that the organisation and its stakeholders are not of equal status and that the terms of any cooperation are set by the more powerful party.

Through her observation, Greenwood (2007) argues that stakeholder engagement gives the impression of corporate responsibility as there is a belief that if an organisation shows commitment, through policy and practice, to stakeholder involvement, it does mean that the company is acting responsibly towards the stakeholders. She, however, reminds us that stakeholder engagement may be used in a moral way or used in an immoral way, but it is not necessarily either of these; rather, it has the potential to be either of these. She argues that stakeholder engagement is a morally positive practice when it enables co-operation in the context of a mutually benefiting relationship. However, she claims that it may also be a morally negative (immoral) practice used as a deceptive control mechanism when masqueraded as corporate responsibility.

Following this argument, CSR policies, activities and practices are considered as means of engagement with the organization’s stakeholders and may be used in a moral or in an immoral way, but it is not necessarily either of these; rather, it has the potential to be either of these as well (Banerjee, 2008). In addition, prior literature on CSR has categorized CSR into negative CSR, symbolic/window-dressing, strategic and/or responsibility/authentic practice (Burke and Logsdon, 1996, Carroll and Shabana, 2010, Clark, 2000, Dawkins and Lewis, 2003, Du et al., 2007, Husted and Allen, 2007, Sprinkle and Maines, 2010, Roberts, 2003).

Roberts (2003) terms the first version of CSR as a negative form of CSR as CSR is squeezed out due to intense financial pressure. Here, the primary or perhaps the sole priority is given exclusively to the organizations' financial interest that is enforced through disciplinary processes (Roberts, 2003) to the effect that the only matter is nothing besides the profit and reputation of the business.

Sprinkle and Maines (2010, p.447) argue that organizations may engage in CSR activities as ''window dressing'' to appease various stakeholder groups, such as non-governmental organizations (NGOs). In this context, Sprinkle and Maines claim that CSR may simply be another cause of doing business in order to avoid negative publicity and other actions from the stakeholder groups. This category of CSR is more or less similar to what Roberts (2003) calls as the ethics of narcissus where CSR initiatives is undertaken to manage risks of reputational damage from NGOs, politicians, the media and/or regulators. In essence, it is argued that ''heightened corporate attention to CSR has not been entirely voluntary . . .the most common corporate response has been neither strategic nor operational but cosmetic'' (Porter and Kramer, 2006, p. 80).

CSR (policy, programme or process) is strategic when it yields substantial business-related benefits to the firm, in particular by supporting core business activities and thus, contributing to the firm's effectiveness in accomplishing its mission (Burke and Logsdon, 1996, p.496). It is also argued that strategic CSR could give benefits not only to the firm but to its stakeholders as well. Burke and Logsdon (1996) identify five dimensions of strategic CSR which are centrality, specificity, pro-activity, voluntarism and visibility which have been claimed as both critical to the success of the firm and useful in relating CSR policies, programs and processes to value creation by the firm.

Husted and Allen (2007, p.596) refine Burke and Logsdon's framework by defining strategic CSR as the firm's ability to (1) provide a coherent focus to a portfolio of firm resources and assets (centrality); (2) anticipate competitors in acquiring strategic factors (proactivity); (3) build reputation advantage through customer knowledge of firm behavior (visibility); and (4) ensure that the added value created goes to the firm (appropriability). While Roberts (2003) argues that this form of CSR seeks to give sincere moral sensibility within the corporations by embedding corporate policy beneath the surface of corporation he believes that such discipline regimes, through its new forms of internal controls and associated rewards and incentives, still stimulate a narcissistic self-pre-occupation as these forms of remote self-representation can capture only what is looked for and is amendable to quantification that lead to a visibility without sensibility (of responsibility).

Some companies may have altruistic intentions as they simply believe their CSR efforts are part and parcel of being a good global citizen (Sprinkle and Maines, 2010, p.446). These companies have embraced the concept of CSR as they felt responsible to give something back to the society. It is perhaps the felt responsibility (Christensen and Ebrahim, 2006), which might influence by company's missions and values, that have significant influence on the CSR activities undertaken by the organization. Here, organization's missions could add an ethical or value-based dimension to its responsibility/CSR (Ebrahim, 2003a, Snider et al., 2003) since they emphasize the internal motivations of the organization.

On the other hand, Ebrahim (2003b) argues that organizations' accountability to stakeholders can be discharged not only through formal reports (account-based accountability) but sometimes can be better or appropriately discharged via engaging the stakeholder through a dialogue or participative approach (action-based accountability). Menwhile, Greenwood (2007) argues that stakeholder engagement can be considered responsible if the company balances the interest of legitimate stakeholders in a manner in keeping with justifiable moral principles (for example Kantian principles (Evan and Freeman, 2004 as cited in Greenwood, 2007), the principles of justice (Phillips, 1997 as cited in Greenwood, 2007). In addition, Roberts (2003) argues that a dialogue with the most vulnerable group of stakeholders is vital in creating a possibility on informing corporate ignorance of its actual effects as well as of learning which could lead corporate to undertake authentic CSR.

2.7 Summary and Conclusion

The relationship between business and society are intricately woven and hence it is argued that businesses have a responsibility to respond to societal needs and pressures (Clark, 2000) which go beyond the so called its economic responsibility. CSR activities have been seen as a method utilised by business to meet the expectations of a broad set of stakeholders. CSR as one means of stakeholder engagement is argued to enable business to be more responsible by considering social and environmental impacts it has to the society, thus through CSR reporting, it may improve accountability. On the other hand, a number of prior researches indicate that business case (to include strategic CSR) is the main motivation that drives business to undertake CSR activities and reporting.

Similar to CSR activities, CSR reporting is not a new phenomenon and some kind of CSR information has been communicated in since organisations first existed (Thien, 2011, p.41). CSR and CSR reporting have been argued as inextricably intertwined, across an organisation, and at various levels (Adams, 2008). CSR reporting has been defined as

> "…the process of communicating the social and environmental effects of organisations' economic actions to particular interested groups within society and to society at large. As such, it involves extending the accountability of organisations (particularly companies) beyond the traditional role of providing a financial account to the owners of capital, in particular shareholders. Such an extension is predicated upon the assumption that companies do have wider responsibilities than simply to make money for their shareholders "(Gray et al., 1996, p.3).

CSR reporting takes many forms, commonly it is done either reporting in annual report or stand-alone reports (Greenwood, 2007). A considerable number of prior studies examined both kinds of reporting in order to determine motives behind production of such reports. A number of reasons have been suggested for CSR reporting such as legitimacy, isomorphism and accountability. CSR reporting has been seen as an important accountability mechanism that can enhance organizations' accountability (Gray et al., 1996), therefore it is a crucial link between CSR and accountability of businesses.

Further discussion on accountability and attempts to develop a broad, idealised stakeholder engagement model by integrating both CSR and accountability is undertaken in the next chapter. As mentioned earlier, the development of the theoretical framework/ evaluatory model of this study will draw mainly upon Roberts' (2003) work.

CHAPTER 3: CONCEPTS OF ACCOUNTABILITY AND THEORETICAL FRAMEWORK DEVELOPMENT

3.1 Introduction

The purpose of this chapter is, first, to provide a depth discussion on the concept of accountability in different contexts, for example, the market, the public and NGO/third sector accountability. It aims to develop an understanding of different approaches to accountability and the links between accountability, CSR and the different philosophies underpinning these approaches with the methodology used within the thesis.

This chapter aims to develop a theoretical framework for this study to explain and theorise the empirical findings of the case organizations. The theoretical framework was developed based on (normative) attributes of CSR initiatives (Chapter 2) and accountability (Chapter 3) processes and mechanisms that are regarded as part of organizations' stakeholder engagement. The common key criteria of these two aspects/ issues were used and integrated in order to develop a stakeholder engagement model comprises of four broad normative categories in an attempt to explain and understand the phenomenon from CSR and accountability perspectives.

For such purposes, Section 3.2 provides a detail discussion over the concept accountability which includes definition, nature and ethical positions underlying accountability. This is then followed by a discussion on approaches to accountability in Section 3.3. While Section 3.4 provides a depth discussion on mechanisms of accountability, followed by Section 3.5 which reviews prior studies on accountability and CSR in the context of Malaysia and ASEAN. Section 3.6 develops and discusses the theoretical framework of the study. Finally, Section 3.7 concludes the chapter.

3.2 Accountability: Complex, Dynamic & Multi-dimensional

Since the sixties, group of researchers have shown how accountability is already situated in organizational life (Munro and Mouritsen, 1996). Mulgan (2000, p.555), from the main stream view of accountability firmly believes that accountability in its core sense - of being called to account for one's actions - is associated with external scrutiny by referring to the process of being called to account to some authority for one's actions. He claims that the scope and meaning of accountability has been extended well beyond this original sense of accountability. In this process, he argues that the term has lost some of its former straightforwardness and therefore requires constant clarification and complex categorization (Mulgan, 2000, p.555).

Different from the main stream view (see, for example, Mulgan, 2000), Taylor and Warburton (2003, p.325) argue that accountability is not a neutral concept but it is culturally embedded and should be regarded as a social and political process (Day and Klien,1987, as cited in Taylor and Warburton, 2003). From this alternative perspective, accountability mechanisms will vary in terms of the direction of flows, forms and content (Gibbon, 2010, Taylor and Warburton, 2003) with different characteristics and practices (Ebrahim, 2003a) and could be multidimensional and processual (Miller, 2002, p.554).

In addition, Munro and Mouritsen (1996) suggest that accountability is not just a background against which day-to-day decisions are made instead they argue that the accountability is continuously created, negotiated, challenged and redefined (Munro and Mouritsen (1996, p.xi). To be accountable involves what Miller views as "...learns about itself and its public conduct through its engagement with others. To be accountable is to live with uncertainty and conflict" (Miller, 2002, p.554). Hence, it is hardly surprising to define accountability is a major challenge to be resolved (Ebrahim, 2003b).

The changes in the scope and meaning of accountability as observed by Mulgan (2000) are more or less similar to development in CSR concept. Friedman (1970 as cited in Mulligan, 1986) argued that the only social responsibility of business is to maximize shareholder value. From this perspective by making profit, creating jobs and paying taxes business was seen as contributing to the economy as well as social benefits. The narrow approach to CSR even regarded the concept of social responsibility as a socialist doctrine (Mulligan, 1986, p.265) that is unfair, undemocratic and unwise to the business.

This belief, however, has been challenged by those who believe that business responsibilities should encompass economic, legal, ethic and philanthropy responsibilities. This also attempts to include responsibility and accountability over social and environment (see, for example, Carroll, 1979, Gray et al., 1996) with some even emphasising in the importance to differentiate genuine CSR and accountability practices (Sklair and Miller, 2010, Roberts, 2003, Bendell, 2005) from strategic and/or symbolic ones. Further discussion on definitions and nature of accountability is undertaken in the following section.

3.2.1 Defining Accountability and its Nature

Demands for greater organizational accountability are regularly voiced, both in the academic literature (see, for example, Roberts et al., 2005, Buhr, 2001, Gray et al., 2006) and in public discussions (Messner, 2009, p.918). However, these calls are rarely accompanied with an explanation of what is meant or how it can be achieved (Blagescu and Lloyd, 2006, p.7), beyond a general assumption of a requirement for someone to give an account on their actions or responsibilities to some authority or institutions (Robert and Scapens, 1985, Sinclair, 1995, Mulgan, 2000).

Attempts to define accountability is not a straightforward task as Ebrahim (2003b, p.193) claims that ".... the term itself has often evaded clear definition". Its complexity can be seen through Miller's (2002, p.554) argument where "accountability is but one aspect of a dynamic relationship involving the organisation's consciousness, commitment and capacity to engage with the implicit values underpinning the concept, and experiment with how these can be applied".

In addition, Ebrahim (2003a, p.194) asserts that the problem in clearly defining accountability arises not only from its socially constructed nature, but also from the observation that organizations often face plural accountabilities that change over time. Accordingly, it is hardly surprising that its meaning has changed and evolved in several directions (Mulgan, 2000, Hanberger, 2006, Sinclair, 1995) and will be constantly changing (Gray et al., 1996).

This view is supported by Miller (2002) as he asserts that “To give account involves taking risks, to open one-self to influence and learning, as well as providing an opportunity for sharing experiences and educating others”(Miller, 2002, p.552). In executing this, however, is far from simple, as Ebrahim (2003a) contends that organizations often face plural accountabilities that change over time and therefore those entities engaged in what he describes as “...a complex and ongoing balancing act between accountabilities that are externally driven (that is, top-down or punitive) and those that are internally generated” (Ebrahim, 2003a, p.194).

Hence, while Ebrahim (2003a) sees accountability similar to other scholars’ views as means through which individuals and organizations are held externally to account for their actions, he extends that view by looking into the internal perspectives by outlining accountability “...as the means by which they take internal responsibility for continuously shaping and scrutinizing organizational mission, goals and performance” (Ebrahim, 2003a, p.194).The multifaceted (Ebrahim, 2003a), dynamic (Ebrahim, 2003b) and complex nature (Gibbon, 2010, Ebrahim, 2003b) of accountability can be seen through Miller’s (2002, p.552) argument:

> “Accountability is saturated in politics and emotions. To give an account of oneself in relation to values, relationships, and modes of operating in the social world is to give an account of oneself politically. It is to display oneself as a social actor with all its associated uncertainties, complexities and messiness. In giving an account

> we make ourselves vulnerable. To give account involves taking risks, to open one-self to influence and learning, as well as providing an opportunity for sharing experiences and educating others".

To add to the complexity in understanding accountability relationships, Gray et al. (1996) highlighted the importance of understanding of how the relationship- via 'contract'- is determined. To do so, inter alia, they stress the importance in distinguishing between legal and non-legal, moral or natural, rights and responsibility (Gray et al., 1996, p.39) as "... the legal responsibilities for action and the legal responsibility for accountability are not equal-the legal responsibility for action brings a moral responsibility to account which is only partially discharged by the legal responsibility to account" (Gray et al., 1996, p.40), for example through financial reporting. They, therefore, suggest that CSR reporting (as an accountability mechanism) has the capacity to contribute in filling such gap. As explained in the previous chapter, the link and overlap between responsibility and accountability can be observed clearly from Gray's et al. statement above as they argue that the moral responsibility to account, that derives from the legal responsibility for action, will only be fully discharged through both mandated financial report and CSR (social and environmental) report.

Munro (1996) offers some additional conceptions of the notion of accountability. First, he suggests that company managers tend to associate accountability with 'outcomes' by focussing on measurement of individual performance. Another version of accountability derives from the work of psychologists and sociologists who define accountability as capacity to give an account, explanation, or reasons.

However, Munro notes that psychologists and sociologists are normally interested on how this discourse is expressed and argues that "accountability pivots instead on an analysis of methods by which participants engage in accountability relations" (Munro, 1996, p.4). He goes on by arguing that "accountability itself forms a subtext - often the explicit text- of current government and business agendas"(Munro, 1996, p.3) by making the invisible (actions) visible. Therefore, he contends that accountabilities are always involved in forming and reforming social relations and embedded in power struggles.

In accounting research, Messner (2009, p.918) identifies that the concern for more accountability has been shared by those who have criticized extant financial and management accounting practices for contributing to what they see as a very limited understanding of accountability. This view can be seen, for example, from the work of Gray (2002), Roberts (1991, 2001, 2003), Schweiker (1993), and Shearer (2002). As claimed by Messner (2009, p.919) to be the main belief of this stance is that "the conventional language of accounting portrays human beings as purely economic agents who relate to each other through their self-interests alone. As a consequence, accounting promotes a style of accountability that falls short of our mutual responsibilities and our identities as more than just economic subject".

The works of Gray (2002), Roberts (1991, 2001, 2003), Schweiker (1993), and Shearer (2002) thus reflects concern for the restrictive nature of contemporary management and financial accounting practice and for the partial form of accountability relations that these practices imply (Messner, 2009, p. 919). That critique reminds us on Munro's (1996) point about the importance of observing differences in accountability that are emerging as he claims that different forms of accountability permeate human relations. In a similar vein, Mulgan (2000) argues that accountability, is expanding in its applications that affect its form and mechanisms of accountability.

Several authors have suggested more comprehensive forms or conceptions of accountability which include, but not limited to, social accountability (Shearer, 2002, O'Dwyer and Unerman, 2007), downward accountability (Dixon et al., 2006, Christensen and Ebrahim, 2006), lateral accountability (Munro and Hatherly, 1993, Christensen and Ebrahim, 2006), holistic accountability (O'Dwyer and Unerman, 2008), and communitarian accountability (Pallot, 1991, Lehman, 1999). These forms of accountability have been labelled as an informal or a broader form of accountability as opposed to the dominant form of formal or narrower conception of accountability such as economic, functional, hierarchical form of accountability (Gibbon, 2010).

All of these conceptions or forms of accountability are needed to fulfil what Taylor and Warburton (2003) describe as " ...an enormous growth of formal and informal accountability requirements" (Taylor and Warburton, 2003, p.325). In addition, they argue that accountability is not a neutral concept but it is culturally embedded. Accountability is also regarded as an ethical practice (Messner, 2009), therefore, it might be useful to examine different ethical positions underlying accountability approaches.

3.2.2 Ethical Positions underlying Accountability

Messner (2009) argues that accountability is an ethical practice that involves a moral principle (Stewart, 1995 as cited in Miller, 2002). McKernan and MacLullich (2004, p.327) claim that it is not possible to expect accounting regulations and norms, rules or principles to be effective while they lack moral authority and force. As the ultimate aim of accountability is to measure up to the demands of the other, this ethical requirement should guide the reconstruction of formal systems of accounting (Messner, 2009, p.922).

For Burritt and Lehman (1995) accountability in a democratic society needs to be understood at a practical level with recognition that "ethics provide the founding assumption for accountability" Burritt and Lehman (1995, p.169). Therefore, Gibbon argues that the development of accountability at the practical level is evolutionary, but the ethical assumptions underlying accountability need to be recognised and understood as well (Gibbon, 2010, p.30). Burritt and Lehman (1995) developed a framework to illustrate the differing ethical positions in forming the specific accounting decision making process (see Table 3.1).

Table 3.1Ethical assumptions underlying decisions

	Stakeholder	**Rawlsian**	**Community**
Ethical Assumption	Greatest good for the greatest number	Greatest advantage for the least	Greatest advantage for the least
View of society	Individualism	Individualism	Shared common values
Object	Efficiency	Rights based	Fairness/ distributive justice
Accounting function stressed	Decision usefulness	Accountability	Accountability

Adapted: Burritt and Lehman (1995, p.172)

In broad, there are two different approaches to accountability, one comes from mainstream accountability literature and another is from alternative accountability literature. Further discussion on the approaches to accountability is undertaken in the following section.

3.3 Approaches to Accountability

Mainstream literature conceives accountability as representation and control (Nelson, 1993). This is particularly obvious from Mulgan (2000) who contends that in its core sense accountability is about being held accountable by external authority. In detail, he puts forward that the original or core sense accountability has a number of features (i) it is external in the sense that the people or authority to whom the account is given is someone outside of the person or body being held accountable (ii) it involves social interactions and exchange as it involves two sides which one side provides answers and justifications and on the other side seeks answers and rectification and (iii) it implies rights of authority including the rights to demand answers and to impose sanctions (Mulgan, 2000).

In a similar vein, Kovach, Neligan and Burall (2003) argue that in late modern accounting or traditional term, accountability has a very different conception by giving only those with formal authority over an individual or organisation the right to hold them to account. Two common examples provided, with the first example refers to the context of a democratic state, where the most obvious place for formal accountability is exerted through elections when politicians are directly answerable to their electorate (Kovach et al., 2003, Mulgan, 2000). Similarly, a shareholder of a company is able to call the directors to account for the company's performance during the year as holding shares entitles the shareholder to exert some authority within the company (Kovach et al., 2003).

Mulgan (2000) who is critical of attempts to extend accountability beyond what he claimed as its core sense argues that the term in academic usage has at least being pushed beyond several directions/areas where the various features of core accountability (as discussed in the first paragraph of this section) are no longer applied. First, accountability commonly refers to the sense of individual responsibility, an internal sense which goes beyond the external core focus of the term. Secondly, accountability has been regarded as control mechanism of bodies who oversee the actions of, for example the government, although there is no interaction or exchange between the two parties. Thirdly, accountability has been regarded as similar to responsiveness and finally the accountability term has also been referred as dialogue, for example between citizens (Mulgan, 2000).

While Mulgan (2000) contends that all of these extension still falls within the core sense of accountability that signifies external scrutiny, justifications, sanctions and control, Kovach, Neligan and Burall (2003) acknowledge the existence of a broader approach to accountability drawing upon a stakeholder model/ theory. Furthermore, Ebrahim (2003b) asserts that accountability "...not only as a means through which individuals and organizations are held responsible for their actions (e.g., through legal obligations and explicit reporting and disclosure requirements), but also as a means by which organizations and individuals take internal responsibility for shaping their organizational mission and values, for opening themselves to public or external scrutiny, and for assessing performance in relation to goals" (Ebrahim, 2003b, p.815).

Ebrahim further contends that accountability operates along multiple dimensions — involving numerous actors (patrons, clients, selves), using various mechanisms and standards of performance (external and internal, explicit and implicit, legal and voluntary), and requiring varying levels of organizational response (functional and strategic) (Ebrahim, 2003b, p.815). Prior studies have acknowledged the (possible) existence of different forms of accountability and this can be seen from Table 3.2. Table 3.2 lists the various conceptions of accountability which could be broadly categorised into formal/mandatory/narrower form and informal/voluntary/broader form of accountability (Gibbon, 2010) that exist or could exist in three different sectors, market, public, and non-profit sector.

In general, formal/mandatory/narrower form of accountability is represented by economic, hierarchical, functional form of accountability that is claimed as a form of accountability which dominate all these three sectors (see, for example, Shearer, 2002, Gray et al., 1996, Pallot, 1991, Broadbent et al., 1999, Ebrahim, 2003a, O'Dwyer and Unerman, 2007, 2008). Formal/mandatory/narrower is a form of accountability that could be associated with neo-classical economics and its close 'offspring' agency theory that encourages an individualizing character, "since they promote a sense of the self that is preoccupied with achieving certain norms and standards and... induce the self to relate to others through the lens of these categories alone" (Messner, 2009, p.922).

Formal/mandatory/narrower form of accountability is a form of accountability that is based on rights, probity and legality. This often prioritises financially upward focused accountability and short-term impacts, which are typically conceptualised as a form of external oversight and control (O'Dwyer and Unerman, 2008) which encourages "...rationalizations of action- the constant giving and demanding of reasons for of conduct" (Roberts, 2001, p.1549). It focuses more on the measurable and quantifiable of over more ambiguous and less tangible changes in social and political processes (Ebrahim, 2005 as cited in O'Dwyer and Unerman, 2007, p.449).

On the other hand, as depicted in Table 3.2, various informal/ voluntary/ broader conceptions of accountability have been identified and/or proposed as an alternative in order to broaden the conception of accountability. In general, these informal/ voluntary/ broader forms of accountability should address the accountability needs of much wider organization's (accountor) stakeholders, which concerns not only economic issues but also social and environmental impacts that an organization cause or might cause through its activities. It is said or intended to create more fair and a just society through i.e. distribution of more information to the society (Gray et al., 1996).

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Table 3.2 Different conceptions of accountability

Formal/ mandatory/narrower form	**Informal/ voluntary/ broader form**	**Context**	**Literature source**
Hierarchical	Lateral	Market	Munro and Hatherly (1993)
Economic	Social/moral	Market	Shearer (2002)
Hierarchical (Individualizing)	Socializing	Market/ Public sector/NGO (within organization)	Roberts (1996, 1991)
Organization-centred	Polyvocal citizenship	Market/ Public sector/NGO	Gray, Dey, Owen, Evans & Zadek (1997)
Economic	Communal	Market	Arrington & Francis (1993a), Taylor & Warburton
Individualistic, Right-based	Communitarian	Public sector	Pallot (1991)
Probity and Legality based	Judgemental based	Public sector	Broadbent, Jacobs & Laughling (1999)
Upward	Lateral Downward	NGO	Christensen & Ebrahim (2006)
Upward- External- Functional-	Downward- Internal- Strategic -	NGO	Ebrahim (2003b)
Functional	Social	NGO	O'Dwyer & Unerman (2007)
Hierarchical	Holistic	NGO	O'Dwyer & Unerman (2008)

Table 3.2 Different conceptions of accountability (continued)

Formal/ mandatory/narrower form	Informal/ voluntary/ broader form	Context	Literature source
Upward-	Downward- Sideway- Accountability to movements	NGO/Third sector	Hudson (2000) in Taylor & Warburton (2003)
Accountability with sanction (holding to account)	Explanatory accountability (giving an account) Responsive accountability (Taking into account)	NGO/Third sector	Leat (1998) in Taylor & Warburton (2003)
Fiscal- Functional- Operational- (stronger)	Strategic- Political- (weaker)	NGO	Edwards & Hulme (1996)

Informal/ voluntary/ broader conceptions of accountability is a form of accountability that sees “the self in ways that enact and reinforce a sense of the interdependence of self and other; an interdependence that includes both an instrumental and a moral dimension” (Roberts, 2001, p.1551). It is not only about satisfying external, regulatory accountability but also with internally generated accountability (Ebrahim, 2003b) that is driven by felt responsibility (Fry, 1995). In contrast with the view of agency theorist who consider accountability as a constraint upon an essential, opportunistic and self-interested human nature (Roberts, 2001) where the accountable-self is always preoccupied with the concern of how the self is measured or assessed (seen) (Roberts, 1991). Accountability here, through the creation of self-knowledge and the embrace of failure (Roberts, 1991), is seen as an opportunity for learning and sharing (O'Dwyer and Unerman, 2008, Blagescu and Lloyd, 2006).

Reviewing accountability literature helps to identify different forms of accountability, different forms that "are permeating our relations" (Munro and Mouritsen, 1996, p.xi). These forms of accountability have been identified with its basic form known as financial accountability (Roberts, 2003) to, perhaps, its broadest form known as social/holistic accountability (O'Dwyer and Unerman, 2007, 2008). Hence, in an attempt to understand its nature and how it works, the following section is aimed to discuss two broad conceptions or forms of accountability which will partly lay the foundation of this study to develop its theoretical framework.

3.3.1 Financial/Managerial/Economic Accountability vs. Social/Holistic Accountability

Financial/ Managerial /Economic Accountability

At what can be argued as its narrowest or basic form, financial/economic accountability (Roberts, 2003) has been understood as financially focused accountability which typically requires a formal explanation (Dixon et al., 2006) to limited stakeholders. Financial/economic accountability concerns with the efficient use of scarce resources (Raffer, 2004, Jones, 1999), decision making and control (Jones, 1999). This form of accountability which to a larger extent draws upon the "principal-agent" model (Dixon et al., 2006) is commonly exercised as a form of external oversight and control as an important part of mandatory (Dixon et al., 2006), external regulatory approaches to accountability (Ebrahim, 2003a). As it stems from contract-based relationships (Raffer, 2004) financial/economic accountability typically comes with one party or the principal, with the ability or power to impose sanctions or seek for remedies (Raffer, 2004) from the other party or the agents.

In addition, it emphasises on accounts disclosed to external shareholders and the public in various forms such as profit and loss statements, earning announcements, or press statement by the CEO (Messner, 2009). Therefore, it might also be appropriate to refer financial accountability as public accountability since the important characteristic of these accounts is the fact that their 'target'/ 'recipients' are located outside the organization (Messner, 2009, p.920). The fulfilment of this accountability requirements has been described as meeting the minimum level of legal accountability (Tinker et al., 1991).

Chisolm (1995, p.141) defines legal accountability as “either an obligation to meet prescribed standards of behaviour or an obligation to disclose information about one’s actions even in the absence of a prescribed standard.” Legal accountability focuses on deterrence and punitive measures which are regarded as a highly constrained approach that fails to take into account of organizational behaviour. These are not enshrined in law as well as it focuses on external regulation for ensuring accountability, with little regard for internal and less formalized organizational norms or expectations (Ebrahim, 2003a, p.195).

On the other hand, the exchange of accounts which takes place within the organization or between the organization and some of its contractual stakeholders (e.g. suppliers) often by means of reporting and control routines in which costs, profits, returns or other management-related information is communicated is referred as managerial accountability (Messner, 2009, p.920). In addition, managerially defined accountability is a requirement for an agent to provide an account for its decision-making outcomes and the procedures and means used to derive those outcomes (Haigh, 2006).

However, this conception of accountability has few limitations. First, financial accountability mechanisms, for example, reporting and disclosure, do only “account for” organization activities that fall under the umbrella of economic activity which normally can be quantified or measured in financial terms. Consequently, other organisation activities that cannot or difficult to be quantified or measured in financial terms although have or may have, non-financial effects such as social and environmental impacts are put aside.

Furthermore, the accounts are normally prepared for limited range of powerful stakeholders which is mainly for decision making purposes (Lehman, 1999). As it prioritizes, a limited range of influential stakeholders, hence, other stakeholders who might be affected – directly or indirectly- by the organization activities will be left unconsidered or receive inadequate attention.

Social / Holistic Accountability

Social / holistic accountability has been conceptualised as a form of accountability for broader social impacts (O'Dwyer and Unerman, 2007, 2008, Shearer, 2002) that organizations have or can have on a much broader range of stakeholders (O'Dwyer and Unerman, 2008, Shearer, 2002). The advocates of social / holistic forms of accountability are concerned with the restrictions that are placed by the narrower forms of accountability (O'Dwyer and Unerman, 2007, 2008, Shearer, 2002).

Drawing upon the NGO accountability literature, one of the central tenets of social / holistic accountability is downward accountability to beneficiaries (O'Dwyer and Unerman, 2007, 2008). O'Dwyer and Unerman (2008, p.804) further argue that this form of accountability is motivated more by a sense of obligation to mission attainment rather than the sense of anxiety regarding the power of external that others have over the NGOs. Here, the concept of performance is broaden by embracing quantitative as well as qualitative measures with emphasise given to long term achievement in bringing about structural change (O'Dwyer and Unerman, 2008, p.804).

Central to these calls for greater social accountability is an explicit focus on organization (NGO) impacts on their key beneficiary constituencies (Ebrahim, 2005 and Najam, 1996 as cited in O'Dwyer and Unerman, 2007, Ebrahim, 2003b). Among issues encompassing how representative NGOs are of those whom they seek to assist, as well as the extent of their openness to involving beneficiaries (downward accountability) and/or partners (lateral/sideway accountability) in developing countries in determining the nature of their work and its impact, are central to this broader social accountability emphasis (O'Dwyer and Unerman, 2007).

Thus, Edwards and Hulme (2002b) as cited in O'Dwyer and Unerman (2007, p.450) highlight the importance of the adoption of an open systems approach to development work which involves, inter alia, a strong sense of mission, effective learning and action research, local level institution building and high levels of participation, and a favourable external environment encompassing progressive donors, open governments and strong links to other NGOs (O'Dwyer and Unerman, 2007).

As social/ holistic accountability characteristics leads to explicit consideration to multiple stakeholder groups (O'Dwyer and Unerman, 2008), it does give a significant emphasis on downward accountability to beneficiaries (Dixon et al., 2006), simultaneously to upward accountability to donors and governments (O'Dwyer and Unerman, 2008) and this might include lateral or horizontal form of accountability as well. Hence, it is argued that the other forms of broader accountability can be regarded as subsets within the social/ holistic accountability practices.

While O'Dwyer and Unerman (2007, 2008) stress the importance of what Ebrahim (2003b) referred as process mechanisms, other proponents of social/ holistic accountability suggest the importance to broaden the scope or content of accounts that are prepared to organizations' stakeholders through the preparation of social reporting (Gray et al., 1996, Shearer, 2002) as one method to account for the impacts of the organizations' action have or can have on a "wider human and environment" (Shearer, 2002). The need for an enhanced social reporting is not only for parties with whom the organization contracts such as employees, customers or users, suppliers, but also to others with whom the entity does not have contract with, such as community members (Shearer, 2002).

Roberts (2003), however, is sceptical on corporate initiatives such as social and environmental reports or even a stakeholder dialogue that he claims as no more than new forms of external visibility of the corporate image which is merely to enable a business to run as usual. Therefore, instead of conducting dialogue with those who can affect the perception of the corporation, he suggests organizations to hold dialogue with the most vulnerable stakeholders to the effects of corporate activity.

On the other hand, Thomson and Bebbington (2005) propose a more dialogic form of reporting that will enable an authentic dialogue between an organisation and its stakeholders. They believe that this can be achieved through the provision of quality social reports which "...promote emancipatory social and environmental change both within entity and beyond" (Georgakopoulos and Thomson, 2008, p.1119). These reports should not merely assist people in understanding the organizations but help the stakeholders to develop a critical view of their reality by unfolding the real world situations or problems as well as to enable the stakeholders to question the hidden agenda of oppressive systems of governance (Thomson and Bebington, 2005, p.529). Without these criteria, Thomson and Bebbington (2005) remind us on the possibility of the social and environmental reporting to be utilized by powerful interests, which also concerns Lehman (1999), in furthering their own – economic and business-agendas.

Others have seen the concept of social/holistic accountability to reflect openly relational and socially constructed nature of the accountability concept in NGOs (Kaldor, 2003 as cited in Dixon et al., 2006). Moreover, its ability to address standards of accountability that are implicit, arising from shifting societal values and beliefs, and are loosely defined and therefore negotiated, between different stakeholders (Biggs and Neame, 1996 and Kearns, 1994 as cited in Dixon et al., 2006). However, Ebrahim (2003b) notes the difficulty in embracing this broader form of social accountability in the context of a funding environment which often prioritises upward financially focused accountability (O'Dwyer and Unerman, 2007).

In terms of mechanism or modes of discharging accountability, as social/holistic accountability concept embraces upward, downward as well as lateral/horizontal forms of accountability, its mechanism or media for accounts, therefore, might include formal as well as informal modes such as reporting and disclosure; performance assessments and evaluations, (Ebrahim, 2003b) CSR/social reporting (Gray et al., 1996, Shearer, 2002) as well as participation, and social and environment audit (Ebrahim, 2003b).

The different conceptions of accountability as discussed above, to a great extent, could be linked to different conceptions of responsibilities (or CSR) as accountability requirements which generally flow from responsibility requirements. Financial/economic accountability (Roberts, 2003), for example, that has been understood as financially focused accountability to limited stakeholders can be linked to the economic responsibility of organizations' in creating jobs, shareholder value, and goods and services (Blowfield and Murray, 2011).

On the other hand, social/holistic accountability to a broad range of stakeholders (O'Dwyer and Unerman, 2008, Shearer, 2002) for a broader social impact could be associated closely with organizations' wider responsibility for its social and environmental effects (Gray et al. 1996, Roberts, 2003). While attempts to establish a clear link between both accountability and CSR concepts have been undertaken, it is necessary to explore and understand means of mechanisms of accountability. The following section will discuss further on mechanisms or means of accountability.

3.4 Mechanisms of Accountability

Ebrahim (2003a, p.203) reminds us that accountability is highly contingent on relationships and on mechanisms put in place to ensure it. He argues accountability, like any other sets of relationships, involves a competition among principals with the dominant direction of those competing pulls which is determined by the presence and use of accountability mechanisms to enforce it.

On the other hand, Dixon et al. (2006, p.417) observe that the degree of trust between the parties involved in accountability relationships will determine the types of accountability mechanism used with lack of trust results in more formalized mechanism such as formal reporting. In a similar vein, Gray et al. (2006) argue that formal accountability mechanisms are required in distant relationships, for example, between shareholders and corporations. What seems to be more tangible form of account-giving intermediary or device reporting system, for instance, has been identified as an important mechanism in discharging formal or narrower form of accountability (Munro and Hatherly, 1993, Christensen and Ebrahim, 2006, Munro, 1996).

In addition to formal modes of accounting to accountability such as conventional financial reports, project formation, and budgeting, Munro (1996) acknowledges informal modes of account-giving such as everyday conversations as media for accounts. This everyday conversations to certain extent reflect Christensen and Ebrahim's (2006) argument that the mechanisms employed for informal or broader forms of accountability will be less formalized and less institutionalised and tend to rely on a felt responsibility. Accountability intermediaries, therefore, could be accounts as stories, explanations and reasons on one hand, and accounts as coded representations, records on the other hand (Munro, 1996). It may be worth to take this point ahead by identifying and discussing further the modes of accountability which has been highlighted by Munro (1996) as can exist in various forms or criteria.

Munro's view is in line with Georgakopoulos and Thomson (2008) who observed variety as well as diverse of – direct, indirect, external, formal, informal - modes of accounts-giving used in their context of study. These mechanisms include, for example, compliance statements, annual accounts, public meetings, press releases, new letters, *ad hoc* communications, formal roundtables, working groups, policy consultation, and web-based disclosure (Georgakopoulos and Thomson, 2008). In Munro and Mouritsen (1996), the researchers are interested in knowing how these materials and devices enter into accountability relationships.

There are various modes or means of accountability as shown in Table 3.3. For the purpose of the study, these mediums are arranged based on the degree of complexity in terms of types of information being provided-financial or/and non-financial; form of delivery-written or spoken, as well as the target audiences of the medium-external (shareholders/stakeholders) and/or internal (management/staff).

Ebrahim (2003b) explaining that accountability mechanisms can be separated between tools mechanism, for example, disclosure and reporting with processes mechanism like participation in order to examine the role that these mechanisms play in enhancing certain form of accountability over another. Ebrahim (2003b, p.815) defines accountability tools such as financial reports and disclosure as discrete devices or techniques used to achieve accountability that are often applied over a limited period of time, can be tangibly documented and repeated.

On the other hand, Ebrahim (2003b) argues that accountability processes mechanism such as participation are generally more broad and multifaceted, less tangible and time-bound, and emphasize a course of action rather than a distinct end-result in achieving accountability. Ebrahim (2003b), however, acknowledges that there are some mechanisms such as social audit that straddle the boundary of tools-process.

At its simplest form, common modes of (within organization) accountability are represented by accounting reports such as budgeting (Munro, 1996, Munro and Hatherly, 1993) and it is prepared for the use of company's management in assisting them in making decision. Financial information is dominant in the preparation of these forms of reports/ working papers. It is also the financial issues that become the main concern at this stage. Thus, the purpose of accountability mode here is to provide relevant and useful information to the management in making – business and economic - decision.

At this stage, the accountability modes help the management to discharge what can be termed as 'internal' accountability. It is one of the ways that could be used by the management to discharge their managerial accountability to their organisations. Within organizations, these mechanisms are also widely used in discharging hierarchical, upward, functional accountability by ensuring information, for example, exception and systems failures, flows upwardly in organization (Munro and Hatherly, 1993).

Meanwhile for external purpose, annual report and financial statements (Munro, 1996, Gray et al., 1996, Christensen and Ebrahim, 2006, Munro and Hatherly, 1993) have been used widely as mediums to discharge accountability (Ebrahim, 2003b) to external stakeholders particularly to the shareholders, other financial providers, and regulators. These are formal means in the sense that such reports are commonly required by federal or state laws in many countries (Ebrahim, 2003b) to be prepared and distributed to, for example, shareholders in a certain point of time. Therefore, by having prepared and distributed these reports to shareholders a company, it will be regarded as in compliance with the minimum level of legal accountability (Tinker et al., 1991).

Traditionally, financial information is the main content of this report, for example, the preparation of an income statement, a balance sheet, a cash flows statement accompanied by a note to the accounts. In this context, only a company's activities that can be quantified or measured in financial term will be taken into account in the report. Thus, the report has been used by a company's management to disclose, inform, and share with the shareholders of the company's (financial) performance and position in order to assist, conventionally, for example, the shareholders to make an informed decision (Williams, 1987) with regards to their investment in the company.

With the criteria of formal mechanisms being prioritized in financial matters, annual report and financial statements, these have been commonly used to discharge financial accountability upwardly to powerful stakeholders, for example, shareholders, donors, and governments. In addition, these mechanisms enable an organisation to report its measurable and quantifiable activities and short-term (financial) impact, annual report and financial statements as these have been recognised as important means in discharging hierarchical (Ebrahim, 2003b, Munro and Hatherly, 1993) as well as functional forms of accountability (Ebrahim, 2003b). Private sector experience, however, has shown that formal financial reporting and accounting mechanism are less than perfect devices for securing accountability (Mayston, 1993).

With the emergence of new technology which enables the construction or development of company's website, the accessibility of this report becomes wider and easier as other stakeholders like the public is currently able to access this report either via a company's or a market regulator's website. However, as mentioned before, the main reason of assessing here might be limited to making a financial and/or investment decision as the content of this report is dominated by financial information. Other company activities that cannot be measured in financial form are normally not reported or undisclosed in the accounts. With regard to this, it is expected that this medium primarily is used to discharge financially upward forms of accountability.

Table 3.3 Mechanisms/Means of accountability

Mechanisms/ Modes of Accountability	Criteria	'To Whom'	Form(s) of Accountability	Literature Sources	Degree of Complexity
Management information system, budgeting, performance contract, human resource management, project formation	Formal/ Financial/ Tangible	Internal: Management	Managerial, Hierarchical, Upward, Functional Accountability	Munro (1996), Munro & Hatherly (1993)	**Simple**
Annual report and Financial statements	Formal/ Financial/ Tangible/ the minimum level of legal accountability (Tinker et al., 1991), regulatory accountability with punitive measures (Ebrahim, 2003b)	External: Shareholders & relevant stakeholders e.g. other financial providers & regulators	Financial/ Economic/ Hierarchical, Upward, Functional Accountability	Munro & Hatherly (1993), Munro (1996), Gray et al.(1996), Christensen & Ebrahim (2006), Georgakopoulos & Thomson (2008), Ebrahim (2003b), Gray et al. (2006)	
(Publicly available) Annual report and Financial statements/ web-based disclosure		External: Shareholders & relevant stakeholders e.g. other financial providers, regulators & accessible by public via company's or regulator's website	Financial/ Economic/ Hierarchical, Upward, Functional Accountability		

Table 3.3 Mechanisms/ Means of Accountability (continued)

Mechanisms/ Modes of Accountability	Criteria	'To Whom'	Form(s) of Accountability	Literature Sources	Degree of Complexity
Performance assessments and evaluations	Formal/ Financial/ Tangible	External: Funders Potentially to: Communities	Functional, Downward Accountability	Ebrahim (2003b)	
Organization's (ethical) codes of conducts, mission statements, statements in speeches from CEO or statements of objectives, Customer codes and citizen's charter	Formal/ Quasi-legal or 'semi-binding agreements	External: Shareholders & relevant stakeholders	Functional, Lateral, Downward, Accountability	Gray et al.(1996) , Munro & Mouritsen (1996), (Roberts, 2003), Messner (2009)	
CSR reporting, ethical, social and environmental reporting	Non-Financial/ Tangible	External: Stakeholders; society-contribute to democratic situation	Functional, Lateral, Downward, Communitarian Social/Holistic Accountability	Gray et al.(1996), Shearer (2002), Adams (2004), (Roberts, 2003), Georgakopoulos & Thomson (2008)	

Table 3.3 Mechanisms/ Means of Accountability (continued)

Mechanisms/ Modes of Accountability	Criteria	'To Whom'	Form(s) of Accountability	Literature Sources	Degree of Complexity
Social & environmental audit	Voluntary/ non-financial	To organizations themselves & stakeholders	Upward, Functional, Lateral, Downward, Communitarian Social/Holistic Accountability	Adams (2004), Ebrahim (2003b)	
Participation, (constructed through) Qualitative feedback, debate and, dialogue	Informal/ Non-Financial/ Spoken	External: Stakeholders; most vulnerable stakeholders Roberts (2003) Internal: Staff & Management	Functional Lateral, Downward, Social/Holistic Accountability	Ebrahim (2003b), Taylor & Warburton (2003), Roberts (2003, 1996), Unerman & Bennet (2004)	
Conversations	Informal/ Non-Financial/ Spoken	Internal: Staff & Management	Lateral, Downward, Social/Holistic Accountability	Munro (1996), Roberts (1991, 1996)	

Table 3.3 Mechanisms/ Means of Accountability (continued)

Mechanisms/ Modes of Accountability	**Criteria**	**'To Whom'**	**Form(s) of Accountability**	**Literature Sources**	**Degree of Complexity**
Gestures, movement of the body, everyday artefacts (symbolic of a person) e.g. a clean CV, a proven track record of fund-raising	Informal/ Non-Financial/ Abstract (non-discursive)	External: Stakeholders Internal: Staff & Management	Lateral, Downward, Social/Holistic Accountability	Munro & Mouritsen (1996)	↓ **Complex/ abstract**

Nonetheless, since an organisation's web-based disclosure (Georgakopoulos and Thomson, 2008) may provide not only mandatory reports/information but might also include other (voluntary) material or information, for example, organisation's press releases, newsletters, and other updates on relevant issues, this medium may have a significant potential to be a medium to discharge broader/informal/ voluntary forms of accountability to, for example, the organization's clients or users, and communities.

Ebrahim (2003b) acknowledges performance assessment and evaluation as another mode of accountability. He observes that this accountability tool mechanism has been used by NGOs to fulfil (external) funding requirement. Ebrahim (2003b, p.825), however, sees the potential of this medium to become an organisation's (internal) learning tool. He argues that currently performance assessment and evaluation mainly serve as a functional purpose as it tends to focus or measure, for example, organisation's activities short-term impact (Ebrahim, 2003b, p.826). Ebrahim, however, sees the possibility of this medium, which he categorised as an accountability tool mechanism, to serve the organisations' longer-term strategic purposes. Based on his observation, currently this medium has been used by NGOs to discharge upward accountability to funders. Ebrahim (2003b, p.825), however, believes that this medium has significant potential to discharge organisations', particularly NGOs' downward accountability to communities.

It may be worth to note that external drivers of accountability, such as laws, codes, and reporting requirements, are only one side of the accountability processes (Ebrahim, 2003a). These external drivers of accountability, however, are inadequate as mechanisms of accountability since they represent only a minimum common behavioural standard (Ebrahim, 2003a, p.199). Therefore, Gray et al.(1996) has recognised, for example, organization's codes of conducts, mission statements, statements in speeches from CEO or statements of as mediums that create what they call as a quasi-legal or 'semi-binding' agreements between an organization and its stakeholders.

In line with Gray's et al.(1996) recognition over these mechanisms, for example the organization's codes of conducts, Roberts (2003) argues that these codes are part of an organization's accountability mediums. In a similar vein, Ebrahim (2003b) regards the code of conduct as part of an organization's (e.g. NGO) self-regulation initiative – one of the accountability process mechanisms - which undertaken as a strategic response that concerns with long-term change. These mediums might be used in discharging certain types of formal or mandatory forms of accountability such as functional accountability to shareholders. They also may be utilized to discharge some informal or voluntary forms accountability particularly lateral or horizontal accountability, for example to organization's community partners, (Christensen and Ebrahim, 2006) and downward accountability, for example to clients (Dixon et al., 2006), users, and communities (Hudson (2000) in Taylor & Warburton (2003)).

There are organizations which prepare either CSR stand-alone report or a CSR section in the annual report to disclose and discuss the impacts that their activities have or may have on social and environment. This will be typically in the form of non-financial information. The target of this report is much broader than the financial report such as clients and community. Gray et al. (1996) argue that the preparation of CSR report can contribute to a democratic situation as more information on the corporate activities that might have impacts on social and environment is provided to its stakeholders. Adams (2004) stresses that a good CSR report should be transparent and represents a genuine attempt to provide an account which covers negative as well as positive aspects of all material impacts.

To be accountable, these reports need to demonstrate corporate acceptance of its ethical, social and environmental responsibility (Adams, 2004, p.732). Adams suggests that such acceptance can be demonstrated via a clear statement of values with corresponding objectives and quantified targets with expected achievements dates. He also stresses the importance of consulting the key stakeholders as part of the preparation process in order to produce such a 'complete' report that takes into account the stakeholder perspective. Lehman (1999, p.232), however, reminds us that many critics of environmental accounting now voice concern that what is reported in annual reports is nothing but merely as part of corporate propaganda agenda. He, therefore, argues particularly, in the absence of a yardstick of justice, it is impossible to determine whether social and environmental reporting is anything more than corporate propaganda.

Roberts (2003), who is also sceptical on corporate initiatives such as social and environmental reports as well as stakeholder dialogue as he claims that it is no more than the new forms of external visibility of the corporate image to allow business to run as usual and "simply reflect the narcissistic concerns of the corporation to appear responsible" (Messner, 2009,p.922). Roberts (2003) and McKernan and McLullich (2004) claim that this alternative in insufficient and problematic as"… they are distant and standardized forms of accountability that cannot really capture the demands of those addressed" (Messner, 2009, p.923).

Roberts' concern is shared by Adams (2004) as she argues about the possibility of the stakeholders' dialogue to become merely the ultimate legitimating tool if companies have much greater power and dominate the consultation process. She, however, argues that it will be more difficult to see how the organization's duty of accountability can be discharged without involving stakeholders in the process.

In addition, Thomson and Bebington (2005) believe that authentic dialogue between organisations and stakeholders can be achieved through social reports that are educative, promote debate, suggest corrective actions, create space to enable action, and allow meaningful critique, for example, of the reporting entity (Georgakopoulos and Thomson, 2008, p.1119). This point brings us to the next form of accountability means that could be constructed through a qualitative feedback, debate and, dialogue with external stakeholders. Before that, it might be useful to identify the different forms of accountability that might be discharged through the preparation of organisation's CSR reports.

Similar to CSR initiatives, although some scholars are sceptical (see, for example, Roberts, 2003, McKernan and MacLullich, 2004) over the underlying purpose of the preparation of CSR reports, as reminded by Griffin and Prakash (2010, p.180), identifying the actual motivations behind these reporting, empirically, is very difficult. CSR reports, therefore, would possibly be employed not only in discharging some of informal, broad or voluntary forms of accountability including downward, communitarian, and social/holistic accountability, but may serve formal, narrow, economic form of accountability as well.

Social and environmental auditing (Ebrahim, 2003b, Adams, 2004) is seen by Ebrahim (2003b, p.826) as accountability (tool and process) mechanism that "...can help organisation in forming long-term approaches in addressing social development problems, particularly by better including stakeholders into decision-making and by linking organizational values to plans". He observes, in the context of NGO, that this report is prepared either due to external driver of accountability, for example, as response to erosion of public confidence, or due to internal driver of accountability, for instance, in valuing social, environmental, and ethical performance.

Ebrahim (2003b, p.825) argues that social and environmental auditing serves as functional purposes as they affect the behaviour of a single organisation. He, however, sees its potential to serve strategic or broader forms of accountability including lateral, downward, and social/holistic accountability to the extent it affects the organisation-stakeholders interaction, and promote longer-term planning (Ebrahim, 2003b, p.825).

At more abstract or complex level, Taylor and Warburton (2003) and Roberts (2003) believe that a broader accountability can be constructed through qualitative feedback, debate and, dialogue with external stakeholders or with its most vulnerable stakeholders (Roberts, 2003) as well as with organization's internal staff and management. Roberts (2003, p.263) opines that, if there is serious organisation intent, in addition to corporate dialogue with those who can threaten the corporate reputation, a face-to face dialogue with the most vulnerable stakeholders is needed.

Roberts (2003) contends that only "... on the basis of close proximity may the relationship to others be enacted in a responsible way" (Messner, 2009, p.923). Messner (2009), however, is concerned with Roberts' approach as he gives overemphasis on the demands of "the others" that perhaps overlook the limited nature of accountability.

On the other hand, Ebrahim (2003b) sees a participation mechanism that addresses unequal power relations between actors in accountability relationship is also crucial for achieving a broader form of accountability. Through this mechanism organisation' stakeholders i.e. clients/community will be able to hold a dialogue as well as access to all (project) related information that may affect them. It also enables communities to share in programmatic and financial decision-making via the implementation of participatory evaluation (Ebrahim, 2003b, p.819)

As these mechanisms could be less formalised and less institutionalised (Christensen and Ebrahim, 2006) yet flexible, and enable, for example, a two-way direct or face-to face communication between the accountor and accountee, they might be appropriate to discharge lateral accountability (for example, to staff and board (Christensen and Ebrahim, 2006)), downward accountability (for example, to clients (Dixon et al., 2006)), and social/holistic accountability (for example, to beneficiaries (O'Dwyer and Unerman, 2008)).

Finally, Munro (1996), Roberts (1991, 1996) go further by recognising even everyday conversations among staff and management as one mode of accountability. This mode relates to a view that it is also possible to understand accountability in terms of ethos (Munro and Mouritsen (1996) as giving each other 'accounts' is an everyday and all pervasive process of mundane expressions and mutual understandings. Munro and Mouritsen (1996) believe that our identities are created by the mundane things that we say and do, and by how these are heard, seen or felt. This emphasis as acknowledged by Munro and Mouritsen (1996) also pay close attention to the other very abstract, non-discursive modes of discharging accountability such as gestures, movement of the body, everyday artefacts (symbolic of a person) e.g. a clean CV, a proven track record of fund-raising.

These accountability mechanisms have almost similar characteristics with previous mechanism that are less formalised and less institutionalised (Christensen and Ebrahim, 2006) yet flexible, and enable, for example, a two-way direct or face-to face communication between the accountor and accountee. They, however, are more abstract and ‘symbolic’ mediums of accounts that might need deep ‘reading’ to understand what they are really meant. These modes of accounts might be appropriate to discharge informal, broader, voluntary forms of accountability like lateral accountability (for example, to staff and board (Christensen and Ebrahim, 2006)), downward accountability (for example, to clients (Dixon et al., 2006)), and social/holistic accountability (for example, to beneficiaries (O'Dwyer and Unerman, 2008)).

Nevertheless, regardless the media for account, Miller believes that for individuals or organizations to be accountable, the accounts given about how duties and responsibilities have been discharged should be convincing and credible as he argues that “to be accountable is to give an account, and a persuasive one at that, of how duties and responsibilities have been discharged” (Miller, 2002, p.554). Concisely, efforts to define accountability have to be complimented with attempts to understand multifaceted and complexity of its nature.

On the other hand, it is argued that the relationship between the conception of accountability and the mechanism of accountability is reflexive in nature as both inform and are informed to each other. As mentioned earlier, Ebrahim (2003a, p.203) reminds us that accountability is highly contingent on relationships and on mechanisms put in place to ensure it. In contrast, mechanism(s) used to discharge accountability depends on the conception of accountability held by a person. For example, on one hand, typically formal accounts including organization’s financial statement and annual report are used to discharge formal/ mandatory/narrower forms of accountability such as managerial, hierarchical accountability. On the other hand, the usage of formal accounts as accountability mechanism may reflect the form(s) of accountability that a person attempt to discharge.

The use of formal accounts is commonly required in distant relationships (Gray et al., 2006) that lacks of trust (Dixon et al., 2006), for example, between shareholders and corporations. The use of this mechanism may also reflect the form(s) of accountability emphasis in this kind of relationship which is likely to be the formal/ mandatory/narrower forms of accountability.

Prior studies on accountability and CSR in the context of financial institutions, unit trust industry, Malaysia, Indonesia, Thailand, and Singapore are reviewed in the following section in order to provide some insights on the current state of these fields as well as to identify gap(s) that may exist in this literature.

3.5 Accountability and CSR in Financial Institutions, Unit Trust Fund, Malaysian and ASEAN Context

3.5.1 Financial Institutions

Financial systems and institutions have been regarded as the crux of socio economic development of any country (Achua, 2008, p.68). In addition, financial institutions have been recognised as having a significant role to play in economic progression, environmental protection and social stewardship through their direct and indirect influence on the organizations they finance and support (O'Sullivan and O'Dwyer, 2009, p.554). Hence, it is hardly surprising as a considerable number of previous studies have been focusing, but with different emphasis, on corporate social responsibility or reporting of the financial institutions (see, for example, O'Sullivan and O'Dwyer, 2009, Chambers and Day, 2009, Khan et al., 2009, Coupland, 2006, Prior and Argandoña, 2009a, Prior and Argandoña, 2009b, Thien, 2011).

O'Sullivan and O'Dwyer (2009), for example, who are concerned with the finance activities of financial institutions reveal how NGO campaigns for greater financial institutions responsibility and accountability and how it influences the financial institutions legitimisation process through the Equator Principle[9]. Interrelation between banks, corporate social responsibilities, and financial exclusion[10] has been assessed by Chambers and Day (2009) and they find that banks show a higher awareness for corporate social responsibility and are working with partners to counter the problems of financial exclusion. Meanwhile, Prior and Argandoña (2009a, p.251) in discussing corporate social responsibility of financial institutions argue that these institutions have a special social responsibility to help create an efficient financial system that makes saving and borrowing instruments available to the greatest number of citizens.

In another paper, Prior and Argandoña (2009b, p.349) put forward that financial institutions, particularly in developing countries, has a specific social responsibility which directly relates to the performance of the social function of financial intermediaries that consist mainly of contributing to economic growth and solving the problem of poverty. On the other hand, Achua (2008) identifies several factors which include endemic corruption and regulatory laxity as the major constraints to the effective discharge of corporate social responsibility by banking institutions in Nigeria.

In short, despite the dissimilarity in focus or context of study there is one commonality of these prior studies as far as accountability is concerned. These papers have explicitly or implicitly, directly or indirectly emphasised on the importance of account-giving through (organizations) actions (Gray et al., 2006).

[9] The Equator Principles were launched in 2003 by ten international commercial banks as a voluntary set of common environmental and social risk management guidelines for their project finance activities worldwide (O'Sullivan and O'Dwyer, 2009, p.554)

[10] Financial exclusion can either be caused by price or income. Price exclusion occurs where an individual at any given income freely chooses not to purchase goods or services because the market price is above the maximum he or she is willing to pay. Income exclusion refers to the non-consumption of goods or services arising from low incomes. (Office of Fair Trading, 1999 as cited in Chambers and Day, 2009)

With regard to the first general research question, previous studies particularly by Prior and Argandoña (2009a, 2009b), to certain extent, help to explain how downward accountability within financial sector may look like in practice, for example, by making saving and borrowing instruments available to the greatest number of citizens.

While review in the current section has helped to provide some insights on the issues and identify the gap(s) in the context of financial institutions as the focus of the study is the unit trust industry. Accordingly, the next section reviews prior literature concerning certain aspects of unit trust funds – form part of the financial institutions - including its performance, agency costs, and social and environmental responsibilities of unit trust management companies and their accountability for these responsibilities in order to understand the current state of these fields as well as to identify gap(s) that may exist in literature in the context of unit trust industry.

3.5.2 Unit Trust Funds/Industry

Many prior studies on unit trust[11] funds focused on the performance of unit trust funds (see, for example, Khorana et al., 2007, Flecther, 1999, Fletcher and Forbes, 2002a, 2002b, Gregory et al., 1997, Jensen, 1968, Abdullah and Abdullah, 2009, Abdullah et al., 2007). This strand of literature could be categorized into two settings. The first stream is either the study on the performance of unit trust by applying various models and methods to analyses the relative performance of unit trust over years (see, for example, Fletcher and Forbes, 2002b, Jensen, 1968) or by comparing the performance of unit trusts with another unit trust or with market benchmarks (Abdullah et al., 2007, Bashir and Nawang, 2011).

The other set of research on unit trust performance investigates the factors that may affect or associate with the performance. Chevalier and Ellison (1999), for example, examine the association between mutual fund performance and characteristics of fund managers in US market. Extension study of Chevalier and Ellison (1999) by Gottesman and Morey (2006) examines the relationship between manager education

[11] Its counterpart in the USA is the open-ended mutual fund.

and mutual performance. Meanwhile, Khorana, Servaes and Wedge (2007) examine whether a higher manager ownership is associated with improved future performance. On the other hand, Ferris and Yan (2007) observe the relationship between governance measures with performance.

On the other hand, a number of prior studies have been undertaken in an attempt to examine and understand the nature of the agency conflict between the investors and the managers of the fund (see,for example, Ferris and Yan, 2009, Davis et al., 2007, Mahoney, 2004) particularly after the US mutual funds scandal. The conflict can be explained as follow, while investors of the funds desire higher return, the manager will gain more benefits as the assets of the fund grow. The assets of the funds will increase when more new investors invest into the fund, which in return may provide higher fees income to the manager. However, attracting new investors require promotion and marketing expenses that are charged to the assets of the fund which affect current investors' return. This is where the conflict lies (Ferris and Yan, 2009). Moreover, the structure of the industry itself is claimed as the source of conflict and illegal activities of the fund manager (Davis et al., 2007).

Ferris and Yan (2009) using sample of US mutual funds and fund families[12] for the period 1992–2004 examine the impact of management company's organizational form on the level of agency cost. As indicated by the measures of agency cost (fees charges, number of fund acquire and fund performance), they found that, agency cost is more acute for fund managed by public fund families than private fund families. Mahoney (2004) in discussing the possible alternative to minimize the conflict between the investors and managers of fund, claim that mutual fund regulation, despite greater attention given on compensation and governance practices, give loose attention on the disclosure part.

[12] A family of mutual funds is a group of funds that are marketed under one or more brand names, usually having the same distributor and investment advisor.

As discussed elsewhere, with regard to disclosure, the agency theory provides a framework to explain the disclosure practice in the context of separation of ownership and control (Ghazali, 2004). Agency theory predicts that there is a conflict between managers and owners (investors) of the companies (funds) as their goals are not perfectly aligned. Due to the nature of the investment which is relatively liquid, investors who are not pleased may penalize the fund manager by exiting the market as they give up their investment.

Given that the exit may reduce managers' compensation in the long run; the managers have incentive to retain the investors by engaging in certain activities (Jensen and Meckling, 1976). One of the means is by providing voluntary disclosure (Depoers, 2000), for example, about the achievement of the funds. Therefore, it is expected that unit trust fund managers may provide some voluntary information, for example, in the fund report. In contrast, as the unit trust industry is dealing with public money, it is expected that the industry is highly supervised and monitored by the industry regulator(s) in order to protect the investors. Consequently, there will be stringent requirements and restrictions on types of information that should be or could be provided voluntarily to the investors.

There is little academic research, however, within the corporate social accountability literature examining issues surrounding the social and environmental responsibilities of e.g. unit trust management companies and their accountability for these responsibilities. Some of the existing literature has been concerned with the mandatory disclosure of the extent of social consideration employed by investment managers in portfolio construction (Haigh, 2006), the performance of socially responsible mutual funds (Statman, 2000) and the interest of fund managers in social responsibility information (Buzby and Falk, 1978).

In short, far less attention has been given to the social and environmental responsibilities of the fund managers and their accountability for these responsibilities. Consequently, little is known about unit trust industry players' corporate social responsibility and reporting, and the accountability practices and mechanisms for these responsibilities. However, this gap may help to justify the importance to address the general research questions of this study as it might help to illustrate how financial sector organizations e.g. unit trust industry players, empirically, discharge –downward- accountability to the stakeholders.

Before continuing with the discussion on the conceptual model of the study, it might be helpful and useful to review some previous work done on accountability and CSR in the context of Malaysia and ASEAN. Accordingly, the following section provides discussion on accountability and CSR, based on prior studies in the context of Malaysia and several neighbourhood countries namely Indonesia, Thailand and Singapore.

3.5.3 Malaysian and ASEAN Context

In the context of Malaysia, many prior studies on CSR and its accountability are concerned with the extent of social and environmental disclosure of Malaysian public listed companies (see, for example, Saleh et al., 2010, Janggu et al., 2007, Ghazali, 2007, Ahmad and Sulaiman, 2004) and management or stakeholders view on corporate social responsibility (see, for example, Lu and Castka, 2009, Abdul Rasyid and Ibrahim, 2002).

Saleh at al. (2010), for example, in exploring CSR disclosure and its relation to institutional ownership of the companies find that there is a positive and significant relationship between the two that has been interpreted as the ability of these companies to attract and retained the institutional investors while they engage in social activities. In a quite similar study Ghazali (2007) observes that ownership structure also has an impact on CSR disclosure of Malaysian public listed companies as companies with substantial government ownership disclosed more CSR information in their annual report as opposed to owner-managed companies. She also argues that the level of CSR disclosure in annual reports of companies depends on the extent of public pressure faced by each company.

Meanwhile, interviews with some leading Malaysian experts in CSR has helped Lu and Castka (2009) identify several key issues that could influence the attempt to have wider diffusion and acceptance of CSR in Malaysia including, for example, confusion over the meaning of CSR and the prevalent use of CSR as a public relation tool. On the other hand, Abdul Rashid and Ibrahim (2002) document that the Malaysian executives and managers had positive attitudes towards CSR and the level of awareness appears to have improved slightly.

Another stream of literature has concerned over the aspect of accountability among Malaysian public sector organizations (see, for example, Abu Bakar and Ismail, 2011, Ismail and Abu Bakar, 2011, Abdul-Rahman and Goddard, 2003, Bajunid, 1995). Abu Bakar and Ismail (2011), for example, concern with the implementation of Financial Management Accountability Index (FMAI) that was introduced by the National Audit Department among federal and state agencies. They found that majority of the agencies have a ‘good’ financial management system with the federal agencies, performing better than the state agencies although the overall rating system and FMAI suffer from lack of proper disclosure which is an important means of discharging accountability.

Looking at the accountability reporting practices among Malaysian public university, Ismail and Abu Bakar (2011) found that the universities tend to have a low mean accountability disclosure index score. In addition, they put forward accessibility issue of the annual reports of the public universities by the general public. On the other hand, by adopting interpretive methodology in general and grounded theory in particular, Abdul Rahman and Goddard (2003) observe that financial management and accounting practices of two Islamic religious public service organizations in Malaysia have been influenced by social, historical, and religious context, in which the organizations are embedded as well as power relationships within them resulting in unique accounting practices.

In general, these studies have shed lights on, first, the voluntary and broader practices of discharging accountability among Malaysian public listed companies through CSR reporting and, second, accountability practices and disclosure among Malaysian public sector organizations. Many if not all of these prior studies, however, have focused mainly on one of accountability mechanisms which is reporting and disclosure in organization's annual report which has been recognised as one important means in discharging hierarchical (Ebrahim, 2003b, Munro and Hatherly, 1993) as well as functional forms of accountability (Ebrahim, 2003b). In addition, most of the prior studies in the market context have looked into such practices by Malaysian public listed companies, leaving organizations in other sectors including unit trust industry untouched. What is more obvious is there is no/little study attempt to explore or investigate accountability practices and mechanism in Malaysian financial sector organizations.

The following paragraph provides a brief review of previous studies on accountability, CSR and voluntary disclosure in some neighbourhood countries which are Indonesia, Thailand and Singapore.

In Indonesian context, prior studies on corporate social responsibility and accountability have been undertaken from various perspectives which include the extent of CSR disclosure among Indonesian public listed companies (see, for example, Mirfazli, 2008), the link between CSR and financial performance (see, for example, Fauzi and Idris, 2009), and pattern of corporate social responsibility programs (Hidayati, 2011).

With regard to the extent of disclosure, it has been found that the main foci of social disclosure among Indonesian public listed companies are labour, customer, society, and environmental themes (Mirfazli, 2008). Meanwhile, Fauzi and Idris (2009) document that under the slack resource theory, CSR does not impair companies profitability. On the other hand, Hidayati (2011) observes that her four case organizations have shown high commitment to the execution of CSR programs and business ethics which formed the case organizations' sustainable development.

Another stream of literature is concerned with accountability in NGO/third (see, for example, Antlöv et al., 2006) and public sector (see, for example, Eckardt, 2008). Indonesia NGOs roles, responsibilities, accountability and challenges are discussed in detail by Antlöv et al. (2006). They discuss several weaknesses faced by Indonesian NGOs including lack of accountability which further reinforcing the social distance and lack of impact. NGOs in Indonesia have also been claimed as fragmented that contributes to the lack of coordination between them (Antlöv et al., 2006) which need rapid responses and innovations to overcome the weaknesses. On the other hand, Eckardt (2008) observes that the local government performance outcomes are determined by the extent to which people can hold their government accountable through political institutions.

Prior studies on corporate social responsibility and accountability in Thailand have also been undertaken from various perspectives which include CSR disclosure among Thailand companies (see, for example, Ratanajongkol et al., 2006, Kuasirikun and Sherer, 2004), CSR in real business practices (see, for example, Kraisornsuthasinee and Swierczek, 2009) or CSR activities (see, for example, Virakul et al., 2009) as well as stakeholders expectations of CSR (see, for example, Poolthong and Mandhachitara, 2009). Ratanajongkol et al. (2006, p.67), for example, document an increasing trend of CSR disclosure among 40 largest Thailand companies with the primary focus on human resources and provide "declarative" good news disclosure. Meanwhile, it has been found that CSR activities in the top Thai companies were based on moral or altruistic motivations with a focus on both production-process and philanthropic outcomes with CEO leadership, company performance, and stakeholders' expectations were the driving forces of CSR activities (Virakul et al., 2009).

Similar to Indonesia, another strand of literature is concerned over accountability in the NGO/third and public sectors (see, for example, Wheeler, 1989, Johnson, 2001). Johnson, for example, (2001) concerns with the gap between local priorities and NGO accountability has explored a highly informal line of accountability that emerged between an internationally funded NGO and a village community in southern Thailand. Based on his finding, Johnson (2001, p.5) argues that the imposition of rules stipulating local participation has empowered villagers to negotiate and transform the terms on which the intervention of the NGO in their community.

Unlike Indonesia, Thailand and Malaysia, there are few prior studies that are concerned over corporate social responsibility and accountability among Singaporean companies (see, for example, Tsang, 1998, Chung and Parker, 2010). Tsang (1998) concludes that CSR in Singapore was still in its infancy as CSR disclosure were minimal. In fact 16 out of 33 companies in his study sample did not have any social responsibility disclosure throughout the whole period of study from 1986 to 1995.

In a similar vein, although Singaporean corporate involvement and attention is growing Chuang and Parker (2010) argue that it still remains in its infancy. On the other hand, Ng (2010) who is concerned with accountability of Singaporean schools has described and examined the nature and evolution of school accountability in the Singapore education system. The school accountability has been examined using four relatively distinct concepts which are performance reporting, technical process, political process and institutional process.

Overall, prior studies in these three countries focus mainly on corporate social responsibilities and reporting among public listed companies. Many of the studies also give a great deal of attention over CSR reporting in the company's annual reports. Some previous studies which concern over the accountability of public and NGO/third sectors, however, has focused over broader practices of accountability among NGO and public sector organizations which could contribute to a broader conception and understanding of accountability processes and practices.

In general, the review of previous studies first, explains how organizations in different contexts such as financial institution, public listed companies, NGOs discharge their accountability beyond formal, mandatory and narrower forms of accountability. Secondly, these studies have helped to identify mechanisms used to discharge their accountability e.g. CSR reporting. In addition, what is more interesting is in some study, for example, Abdul Rahman and Goddard (2003) reveal how social, historical, and religious context in which the organizations are embedded resulting in unique accounting and accountability practices.

Prior literature on both CSR and accountability has shown that many previous studies, empirically, were carried out to explore and examine company's CSR initiative and accountability processes and practices as part of efforts to understand and explain the phenomena. On the other hand, at the conceptual level, many CSR (responsibility) and accountability models and conceptions were offered and developed (and some have been widely empirically tested) in order to explain and understand such practices.

There is, however, little or no model has been developed by integrating these two phenomena/conceptions together. Possibly, due to the lack of arguably a more integrated model as few studies have empirically been undertaken to explore and explain both of the practices together. Observing both organizations' CSR and accountability practices together as means of engagement with the stakeholders might provide a richer and broader understanding of these phenomena. The gap(s) that have been identified here and in the previous sections justify the need to address the research questions of the study. As stated in Chapter 1, there are three research questions which contextualize the research:

(i) How do the case organisations engage with stakeholders and what mechanisms are used in such practices?
(ii) What types of CSR initiatives and accountability practices have been undertaken by the case organisations?
(iii) Are the CSR initiatives and accountability practices undertaken to discharge the case organisations' social responsibility and accountability or to advance their hegemonic/business interests?

Taking into account these gaps, the following section attempts to develop and propose a stakeholder engagement model by incorporating both of the key common attributes of CSR initiatives (actions) and accountability (accounts e.g. reporting).

3.6 Theoretical Framework Development: The Idealised Stakeholder Engagement Model

Following Roberts (2003), it is argued that any stakeholder engagement whether in form of actions, through CSR initiatives, or in forms of accounts, through CSR reports, it should be undertaken 'sincerely' and genuinely with 'others in mind'. However, as long as the responsible- and accountable-self (i.e. organization) does not embrace itself to be genuinely motivated so that its actions and accounts are taken up as a way to change its actual conduct (Roberts, 2003), any CSR and/or accountability initiatives that might be undertaken will be merely part of its efforts to satisfy its own interests or agendas. These interests or agendas might be concerned merely on 'giving account to the self' (Shearer, 2002) or to enable the organization to operate it activities as usual (Roberts, 2003).

It might be difficult to determine as to know whether an organization is genuinely motivated in engaging with its stakeholders. It is, however, possible that through the organization's motivation/intentions mechanisms as well as the target stakeholders, it will help to give some clues whether its engagement, either through actions and/or accounts, is authentic or merely window-dressing. In terms of motivations or intentions, on one hand, the organization might think or claim that its concern about its stakeholders has motivated the organization to undertake CSR activities and/ or provide CSR reporting. In contrast, however, what really drives the organization to engage with its stakeholders through CSR activities or reports is actually its concern about 'giving account to the self' (Shearer, 2002) and to enable the organization to function as usual (Roberts, 2003).

In terms of engagement mechanisms, it is expected that there will be a combination of formal and informal ones. With financial reporting and disclosure prepared to clients or customers plus with, CSR initiatives, this might be designed and implemented to further the organization's interest, which is to address the 'needs' of the relevant stakeholders. But as what Ebrahim (2003b) notes, while reporting and disclosure enable a degree of upward/formal accountability, these mechanisms are considered limited use for enhancing downward, broader accountability.

What is more concerning is an organization's stakeholders engagement initiatives which seem to be pure or authentic but given the influence of the organization intention or motivation, it is merely 'cosmetic' that falls under the realm of public relations (Roberts, 2003). Therefore, it is argued that the accountability mechanisms that might be employed here which include web-based disclosure, organisation's codes of conduct, customers' codes and citizen charter, CEO's speeches and CSR initiatives or reports lack of dialogic potential (Thomson and Bebington, 2005, Unerman and Bennett, 2004) and do not address the unequal power relations (Ebrahim, 2003b, Roberts, 2003).

For the third aspect, concerning the target stakeholders, although in general the focus of broader accountability is the organization's clients, users, or beneficiaries, members, communities, partners, staff, and supporters (Hudson, 2000 in Taylor and Warburton, 2003, Dixon et al., 2006, Christensen and Ebrahim, 2006, Edwards and Hulme, 1996) but having such interaction, particularly the intention or motivation of the organization, it is expected that the organization will favour certain groups within those relevant ones. In a more sympathetic view, this perhaps is similar to Gray's et al. (1996, p.46) explanation of one of the variant of stakeholder theory that is employed in a more organization-centred way. Here, the stakeholders are identified and addressed by the organization by reference to the extent of which the organization believes the interplay with each group needs to be managed in order to further the interests of organization (Gray et al., 1996). The more powerful (economically and/or politically) the stakeholders more effort will be exerted by the organization in managing the 'accountability' relationship with absence of accounting to less powerful stakeholders.

As noted earlier it might be difficult to determine as to know whether an organization is genuinely motivated to engage with its stakeholder (Griffin and Prakash, 2010). In assessing the engagement initiative, it is possible, however, that the key element or criteria of the engagement initiative such as motivation/intentions, mechanisms as well as the target stakeholders might be able to give some clues as to whether the engagement activity is authentic or not. The following section developed and discussed the idealised stakeholder engagement model by incorporating both action-based engagement (CSR initiative) and account-based engagement (accountability i.e. reporting) which will be employed later to assess and explain the case organizations' CSR initiatives and accountability practices.

3.6.1 Stakeholder Engagement Model: An Ideal Approach

The model as shown in Figure 3.1 was developed by incorporating the key attributes of engagement initiatives such as motivations/intentions, mechanisms and implied stakeholders. The model, which was developed by taking into account both means of stakeholder engagements, CSR and accountability practices, was then employed to assess and identify the condition of organizations' stakeholder engagement.

The x-axis of the model is labelled accountability (reporting). Nature and content of organizations' accounting reports ranges from formal, mandated, non-dialogic to holistic (financial, social and environmental), dialogic. Formal and mandated reports are reports that are commonly required by federal or state laws in many countries (Ebrahim, 2003b) to be prepared and distributed to shareholders in a certain point of time. Therefore, by having prepared and distributed these reports to shareholders a company will be regarded as in compliance with the minimum level of legal accountability (Tinker et al., 1991). These reports which are merely in form of formal financial reporting and disclosure, however, are argued as lack of dialogic potential (Thomson and Bebington, 2005, Unerman and Bennett, 2004) and do not address unequal power relations (Ebrahim, 2003b, Roberts, 2003).

On the other hand, holistic reports refer to reporting and disclosure to the stakeholders that cover broader issues including social and environmental or CSR reports. It is vital, however, to differentiate between quality and non-quality (CSR) report as a quality (CSR) report is argued to have a dialogic potential (Thomson and Bebington, 2005) as it does not only provide decision-useful information (Williams, 1987) but also information that critically assesses corporate activities (Schweiker, 1993) which covers negative as well as positive aspects of all material impacts (Adams, 2004). A dialogic form of reporting also enables the stakeholders to develop a critical view of the reality as well as to enable the stakeholders to question the hidden agenda of oppressive systems of governance (Thomson and Bebington, 2005, p.529). Without these criteria, it is argued that a (CSR) report lacks of dialogic potential (Thomson and Bebington, 2005, Unerman and Bennett, 2004) and instead it is the ones that might be used to maintain corporate hegemony (see, for example, Tinker et al., 1991, Lehman, 1999).

The y-axis of the model is labelled CSR initiatives (actions). Literature review suggests that CSR initiatives undertaken by organizations are due to symbolic, strategic or authentic (responsibility) reasons (Sprinkle and Maines, 2010, Roberts, 2003, Burke and Logsdon, 1996). Symbolic CSR is where CSR initiatives is undertaken to appease various stakeholder groups (Sprinkle and Maines, 2010) in order to manage risks of reputational damage from NGOs, politicians, the media and/or regulators (Roberts, 2003). Strategic CSR is CSR initiatives that give benefits to both businesses (Burke and Logsdon, 1996, p.496) and the stakeholders. While authentic CSR is efforts that are undertaken by organizations as part and parcel of being a good global citizen (Sprinkle and Maines, 2010, p.446).

The model that consists of four quadrants should be seen as a continuum rather than as a rigid scales as each quadrant represents a range of stakeholder engagement through CSR and accountability practices. The four broad categories of stakeholder engagements which are represented by the quadrants in the model are: Firstly, Quadrant A is the category of engagement whereby the organisation undertakes CSR initiatives either for strategic and/or symbolic reasons and produces formal, non-dialogic accounts. Secondly, Quadrant B is the category of engagement whereby the organisation undertakes CSR initiatives merely for symbolic and/or strategic reasons and the organisation issues holistic reports that may or may not have dialogic potential. Thirdly, Quadrant C is the category of engagement whereby CSR initiatives are undertaken genuinely by the organisation as its felt responsibility to 'give back' to its stakeholders but the accounts produced by the organisation are formal and non-dialogic. Finally, Quadrant D is the category of ideal engagement. An organisation in this category not only undertakes genuine CSR initiatives, it also produces social and environmental reports that offer space for an authentic, critical and substantive dialogue between the organisation and its stakeholders (Thomson and Bebington, 2005, Unerman and Bennett, 2004).

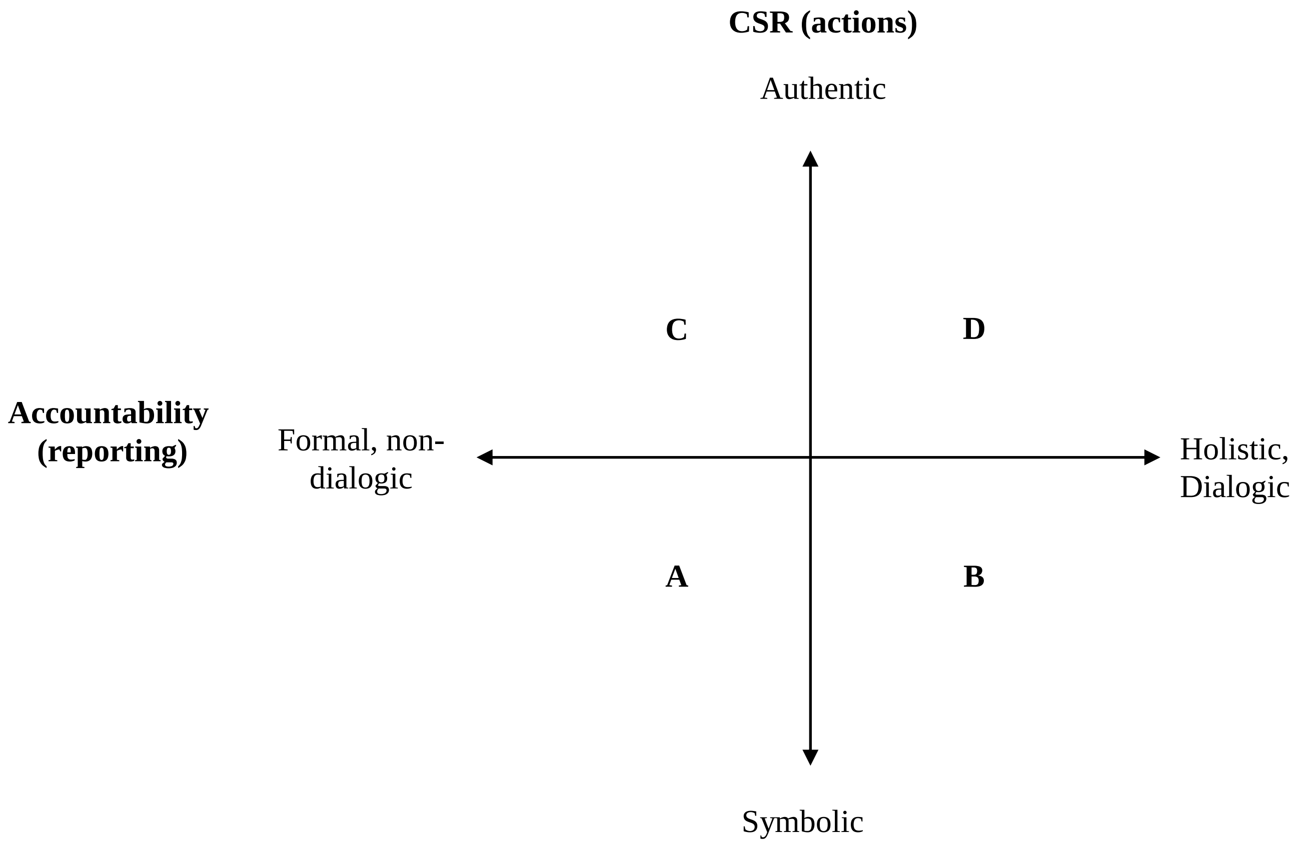
Quadrant A. Symbolic to Strategic CSR initiative/ Formal, non-dialogic Accounts

CSR initiative in Quadrant A ranges from symbolic to strategic CSR with organization appears to act in the interest of stakeholders. In contrast, what really motivates the organization to carry out CSR activity and/or reporting for its stakeholders is actually its concern about 'giving account to the self' (Shearer, 2002) or to enable the organization to function as usual (Roberts, 2003).

These factors or drivers, to some extent, may affect the way the organization engage with its stakeholder. In undertaking its CSR initiative, it is likely that the organization may favour certain groups within those relevant ones. In a more sympathetic view, this is perhaps similar to Gray's et al. (1996, p.46) explanation of one of variant of stakeholder theory that is employed in a more organization-centred way. Here, the stakeholders are identified and addressed by the organization in reference to the extent of which the organization believes the interplay with each group needs to be managed in order to further the interests of the organization (Gray et al., 1996). The more powerful (economically and/or politically) the stakeholders, the more effort will be exerted by the organization in managing the ‘accountability’ relationship with absence of accounting to less powerful stakeholders. What is more concerning though, in the first place it appears to be that the informal mechanisms employed are the ones that will enable engagement between the organizations with the relevant stakeholders to take place given the influence of the organization intention or motivation, it is no more than ‘cosmetic’ that falls under the realm of public relations (Roberts, 2003).

On the other hand, the accounts prepared and distributed are merely in form of formal financial reporting and disclosure. These reports which are issued to address the ‘needs’ of the relevant stakeholders arguably lack of dialogic potential (Thomson and Bebington, 2005, Unerman and Bennett, 2004) and do not address unequal power relations (Ebrahim, 2003b, Roberts, 2003). Forms of reports that might be employed here include, for example, annual report, financial statements, web-based disclosure (limited to mandated annual report and financial statements). Annual report and financial statements (Munro, 1996, Gray et al., 1996, Christensen and Ebrahim, 2006, Munro and Hatherly, 1993) have been used widely as mediums to discharge accountability (Ebrahim, 2003b) to external stakeholders particularly to the shareholders. These are formal means in the sense that such reports are commonly required by federal or state laws in many countries (Ebrahim, 2003b) to be prepared and distributed to shareholders in a certain point of time. Therefore, by having prepared and distributed these reports to shareholders, a company will be regarded as in compliance with the minimum level of legal accountability (Tinker et al., 1991).

Figure 3.1 The Idealised Stakeholder Engagement Model



Quadrant B. Symbolic to Strategic CSR initiative/ Holistic, non-dialogic to Holistic, dialogic Accounts

Under Quadrant B, motivations or intentions of the organization is similar as in Quadrant A, where an organization appears to act in the interest of the stakeholders. However, what really motivates the organization to carry out CSR activity and/or reporting for its stakeholders is actually its concern about 'giving account to the self' (Shearer, 2002) or to enable the organization to function as usual (Roberts, 2003).

The targeted stakeholders, however, are limited to the groups that were identified by the organizations as could either affect mainly its economic/financial performance and/or operations or pose threats. Hence, the CSR activities and policies are designed and carried out to ensure that the organizations' image and performance are good in the eyes of these influential stakeholders. In other words, the CSR policies and activities are symbolically used by the organization to please and convince certain groups of stakeholders over its reputation.

In addition, to what can be considered as part of its 'window-dressing' or symbolic efforts to please certain stakeholders, the engagement initiatives involves the issuance of reports to the stakeholders which cover broader aspects such as social and environmental issues. Here, holistic accountability which discharges mainly through reports refers to the organization efforts to provide not only economic information but to issue social and environment reports as well. As the organization provides accounts on its financial and non-financial aspects, it seems that the focus of such reports is not only to provide decision-useful information (Williams, 1987). These broad and comprehensive reports might include accounts on its CSR policies and activities and the (positive) impacts of these initiative to the stakeholders. Albeit the broader coverage, similar to Quadrant A, the reports arguably lack of dialogic potential (Thomson and Bebington, 2005, Unerman and Bennett, 2004) and do not address unequal power relations (Ebrahim, 2003b, Roberts, 2003). Some argue that such reports that are supposed to address the imbalance of power relation, for example between powerful capitalists such as multinational companies and the stakeholders, are the ones that are used to help to maintain such imbalance in power (see, for example, Tinker et al., 1991, Lehman, 1999).

Quadrant C. Strategic to Authentic CSR initiative/ Formal, non-dialogic Accounts

Contrast to the first and second categories, Quadrant C is a category where the desire to genuinely address the interests of a broad range of stakeholders (O'Dwyer and Unerman, 2007, O'Dwyer and Unerman, 2008) will be the main intention or motivation which drive the organization in engaging with its stakeholder whether through CSR initiative or reports. Here the focus should be on bringing about substantial change on the society in order "to meet and stay true to the needs of clients, as well as itself" (Dixon et al., 2006, p.407). Hence, the engagement process and activity involves efforts in empowering the stakeholders mainly through substantive participation and partnerships in the CSR activity. It is expected that these authentic efforts and processes could foster a better relationship between organization and its stakeholders (Lehman, 2007).

What is lacking, however, are accounts that are holistic and dialogic in nature. Similar to the situation in Quadrant A, the accounts prepared and distributed are limited to formal and mandated financial reporting and disclosure. While these reports meet with, at the very minimum, the, mandatory reporting requirements (Tinker et al., 1991), these reports arguably lack of dialogic potential (Thomson and Bebington, 2005, Unerman and Bennett, 2004) and do not address the unequal power relations (Ebrahim, 2003b, Roberts, 2003). While there are significant CSR initiatives that have a potential to bring about substantive change to the stakeholders, very little or no accounts are given in explaining how the organization activity affect other aspects such as social and environment. While there are a few factors that might explain such (organizational) behaviour which includes financial constraint (Roberts, 2003), little or no accounts on social and environment issues might limit the potential of an organization to contribute in creating a more democratic and fair society (Gray et al., 1996).

Quadrant D. Strategic to Authentic CSR initiative/ Holistic, non-dialogic to dialogic accounts

In Quadrant D, it is expected that the desire to genuinely address the interests of a broad range of stakeholders (O'Dwyer and Unerman, 2007, O'Dwyer and Unerman, 2008) will be the main intention or motivation which drives the organization in engaging with its stakeholder whether through CSR initiative or reports. Here, the focus is on substantial as opposed to procedural accountability (Gray et al., 2006) with accountability experienced as "an enabling rather than as a monitoring process" (Fry, 1995, p.186) in order "to meet and stay true to the needs of clients, as well as itself" (Dixon et al., 2006, p.407)

It is a sense of obligation towards the missions and values rather than the sense of anxiety regarding the power of the stakeholders or financially-driven motive that drive the organization (O'Dwyer and Unerman, 2008) to engage with the stakeholders. In this sense, therefore, it should be the desire to genuinely address the interests of the broad range of stakeholders (Lehman, 2007) that will be the main driver for the organization to carry out CSR initiative and/ or provide authentic accounts of its activity including its engagement efforts.

The engagement process and activity involves efforts in empowering the stakeholders, for example, through substantive participation and partnerships in the CSR activity or provision of (critical, dialogic) social and environmental reports. This could help in promoting and creating awareness over the issues that might have impact on the rights and needs of the stakeholders. It is expected that these authentic efforts and processes could foster a better relationship between organization and its stakeholders (Lehman, 2007).

In term of mechanisms, there will be a tendency of employing less formalized and institutionalised methods (Christensen and Ebrahim, 2006). Consequently, mechanisms that are going to be employed might include the ones that enable the organization to embrace a broader understanding of responsibility that extends beyond economic and legal responsibility and accountability. This is based on a concept which goes beyond formal explanation to embrace the actual giving of accounts (Munro and Mouritsen, 1996). Regardless of power relations between the organization and stakeholders, these mechanisms that might include ‘accounts’ in form of actions (Munro, 1996) are argued to have a potential to enable authentic engagement between the organization and stakeholders.

There is also a tendency that process mechanisms maybe more preferable as opposed to tools mechanism in discharging accountability as process mechanisms tend to emphasize a course of action rather than a distinct end-result (Ebrahim, 2003b) since here “the very actions are the accountability” (Gray et al., 2006). Once more this could be referred as accountability in form of actions (Munro, 1996) where a possibility of a different procedure of how accounts should be produced and exchanged (Roberts, 1991, 1996, 2001, 2003, McKernan and MacLullich, 2004) is considered.

Here, the targeted stakeholders will include, for example, the clients, users, or beneficiaries, members, communities, partners, staff, and supporters (Hudson, 2000 in Taylor and Warburton, 2003, Dixon et al., 2006, Christensen and Ebrahim, 2006, Edwards and Hulme, 1996) without tendency to favour or bias toward a certain group of stakeholders that the organization assumes might help to further its own (economic and political) interests.

It is expected that the desire to genuinely address the interests of the stakeholders will be the main intention or motivation which will drive the organization to engage with them. Here, the relationship between an organization and community is more in the form of ‘partnership’ which requires authentic communal bonds between them (Lehman, 2007).

From this perspective, responsibility and accountability involves "the art of making judgements and is moulded around the idea of fairness, which involves doing the right thing in the community" (Lehman, 1999, p.230) which might be in any appropriate or relevant process, practice or form. It is important to note that the 'right things' here is not necessarily quantifiable but to include qualitative (responsibility and accountability) aspects as well. The emphasis here is authenticity which requires corporations to recognise and take responsibility for the impact of their actions on the community practices in which they operate (Taylor, 1992 as cited in Lehman, 2007).

It is crucial for the organization to understand "...the genuine impact of their corporate actions on the community, and conduct itself in a fashion that is seen to be empathetic, authentic and productive socially as well as financially" (Lehman, 2007, p.174) in an attempt to create authentic social change. Hence, stakeholder engagement mechanisms that would be employed by the organization, such as CSR programs, should be seen by the community as an authentic attempt rather than window-dressing or public relation exercise and may require community involvement (Lehman, 2007).

Accountability mechanisms such as reporting and disclosure to the stakeholders should cover broader issues including social and environmental aspects with the focus is not only to provide decision-useful information (Williams, 1987) but also information that critically assesses corporate activities (Schweiker, 1993). On the other hand, as stress by Adams (2004) the (CSR) report should be transparent and represents a genuine attempt to provide an account which covers negative as well as positive aspects of all material impacts.

This effort involves the preparation of dialogic form of reporting that will enable an authentic dialogue between an organisation and its stakeholders that can be achieved through the provision of quality (social) reports (Lehman, 1999, Thomson and Bebington, 2005). Such reports are argued as being able to promote emancipatory social and environmental change both within entity and beyond (Georgakopoulos and Thomson, 2008, p.1119) by not merely assisting people in understanding the organizations but help the stakeholders to develop a critical view of the reality unfolding the real world situations or problems as well as to enable the stakeholders to question the hidden agenda of oppressive systems of governance (Thomson and Bebington, 2005, p.529).

Lehman (1999), however, reminds us that without an appropriate yardstick of justice the social and environmental reports can instead be a tool manipulated by e.g. business organizations to maintain and advance their own interests and power. Therefore, a critical and deep assessment on, for example, the motivation, the 'targeted' audience as well as the content of the reports is vital as it helps to unfold the motive behind the account-based of the stakeholder engagement.

3.7 Summary and Conclusion

Responsibility and accountability are two different but closely related concepts that can be argued as concepts that have a significant impact on organizations. Generally, it is argued that individual and organization accountability (accounts giving) requirements flow from responsibility (actions). Mainstream accountability literature view accountability as form of monitoring and control with emphasise given on formal, external requirements. On the other hand, there is an alternative view which considers accountability as an agent for learning and organisational change (Blagescu and Lloyd, 2006, p.13). Conventionally, it is argued that accountability can be discharged through forms of reporting. However, there is a school of thought who believes that accountability for a particular context can be in the form of actions and this may overlap with CSR. The discussion on accountability in this chapter has been undertaken by considering these differences in order to provide a broader understanding on organizational accountability.

The accountability practices and CSR initiatives have been regarded in this study as means of stakeholder engagement. Taking into account key criteria of CSR (Chapter 2) and accountability, the theoretical framework that was developed in this chapter is part of efforts to explain and evaluate the empirical findings of the case organizations. This idealised stakeholder engagement model which is drawn mainly upon Roberts' (2003) CSR framework, as part of the contribution to the knowledge, might be able to help in providing richer and broader understanding of organizational practices with regard to the stakeholder engagement initiative as it is used to explain and theorize the findings.

The following chapter will provide a comprehensive discussion on the methods of the study as well as the methodology adopted.

CHAPTER 4: RESEARCH METHODOLOGY AND METHODS

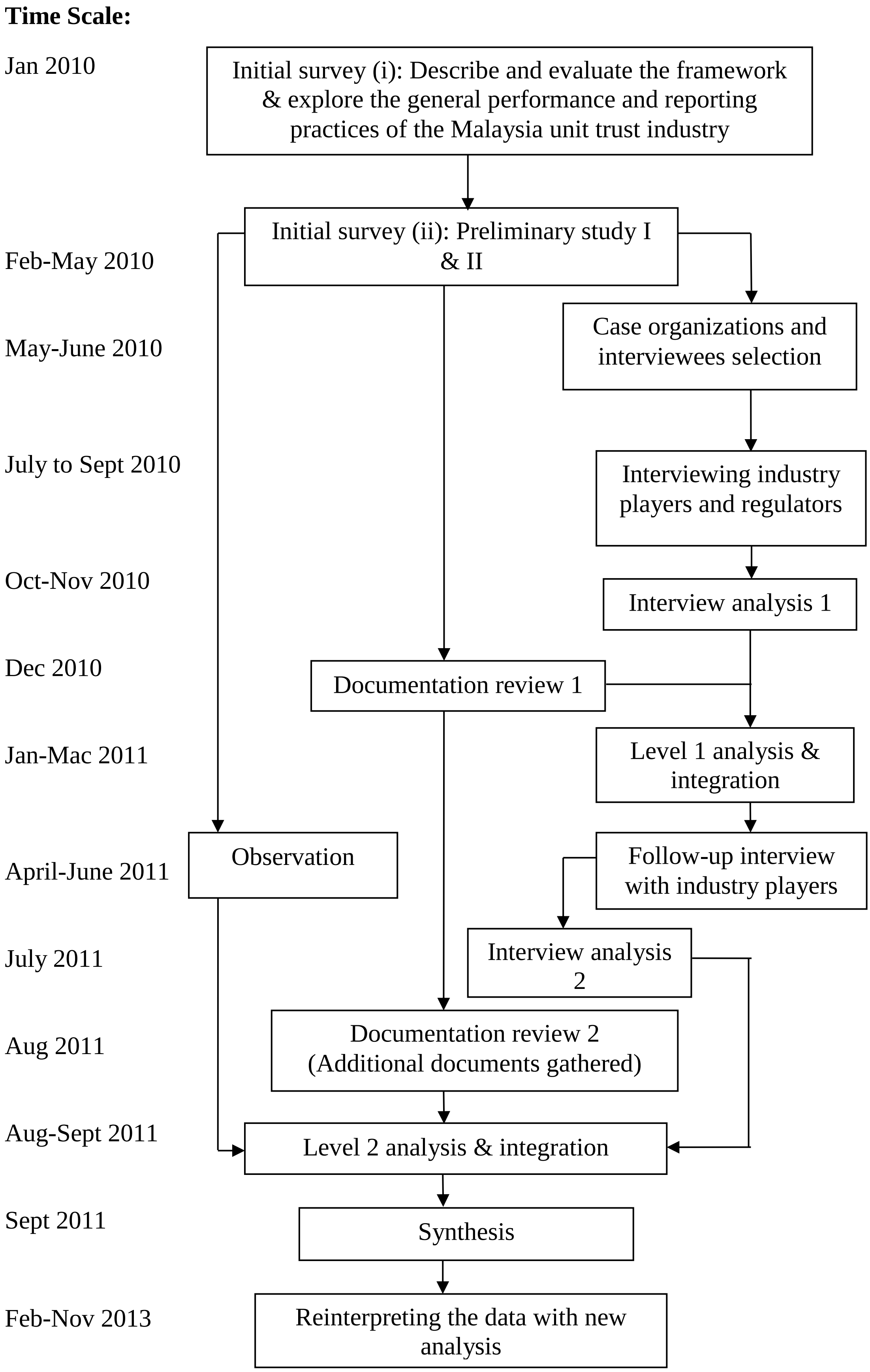
4.1 Introduction

Chapter 4 discusses the research philosophy adopted in this study, as well as the research methods used to gather and analyse the associated data. Chapter 4 is structured as follows: first, the research philosophy (ontology and epistemology) employed in this study is explained in Section 4.2. Second, the research approach/design adopted is explained in Section 4.3. Section 4.4.1 justifies why the Malaysian unit trust industry was chosen as a research setting. This is then followed by an explanation of the initial surveys conducted and the process to identify and contact the case organizations in Sections 4.4.2 and 4.4.3. Next, Section 4.4.4 provides a brief background of the organizations participating in the study. Explanation and justification of research methods employed in collecting and analysing data are in Section 4.5, between 4.5.1 to 4.5.9.

The overall research project is presented in Figure 4.1 that gives an overview of the main work carried out for the purpose of the thesis. The research commenced with an attempt to describe and evaluate the framework as well as exploring the general performance of the unit trust industry in Malaysia, in order to provide the context of the industry. Then, two preliminary studies were undertaken by way of a desk survey of a sample in regards to the different documents related to the industry and its players.

Results from both of these preliminary studies were then used to refocus the study and in the selection process of the case organizations and interviewees. Industry players and regulators were interviewed and the interviews data were analysed. Simultaneously, the relevant documents were gathered before being analysed by applying the common themes from the interview data for corroboration purposes.

Figure 4.1 Overall research processes



Taking into account findings from the previous stage, the focus of the study was slightly changed and the second phase of interviews as well as observation at the Malaysian Unit Trust Week 2011 were undertaken to help construct a better picture of issues being researched. This is then followed by the second phase of document analysis of additional or new documents gathered. All these are then integrated and synthesized together. Taking into account the recommendations from the thesis examiners, data was reanalysed and reinterpreted based on the new theoretical framework developed in chapter 3.

4.2 Research Philosophy (Ontology & Epistemology)

Broadly, this research aims to explore the often complex relationship between CSR practices and accountability practices in Malaysian unit trust industry that involves both theoretical and empirical investigation. The theoretical exploration of CSR and accountability extends beyond economic and legal forms of responsibility (Dixon et al., 2006) and incorporates practices with the potential to encourage for-profit organizations to be more concerned about 'the others' than 'the self' (Roberts, 2003, Shearer, 2002).

Accordingly, the study focuses on the case organizations' CSR and accountability practices and means that may enable them to discharge social responsibility and accountability (Edwards and Hulme, 1996) to clients (Dixon et al., 2006) and the public (community) (Hudson, 2000 as cited in Taylor and Warburton, 2003). It is worthy to note that what the term CSR means remains a tricky, puzzling and unresolved question (Moir, 2001, Dunne, 2008). Similarly, the meaning of the term accountability has changed and evolved in several directions (Hanberger, 2006, Mulgan, 2000, Sinclair, 1995) and will be constantly changing (Gray et al., 1996), as such Sinclair (1995) opines that accountability is subjectively constructed and changes with context and will be enhanced by recognizing the multiple ways in which accountability is experienced.

Thus, ontologically, the researcher holds a view that the meaning people give to CSR and accountability may vary due to fact that such as experience, belief, values and context which are shaped by their interaction with others. Therefore, the meaning of CSR and accountability can be multiple and subjective which may affect the ways individuals and organizations define and discharge the social responsibility and accountability.

Accordingly, the researcher believes that the forms of responsibility and accountability and how they are discharged can be understood through understanding how it is constructed by those who are responsible and held accountable in the organizations. The approach to this subject is thus broadly interpretative, which will focus on understanding how social responsibility and accountability is derived interactively by individual participants and organizations (Smircich, 1983 as cited in Sinclair, 1995).

The investigation undertaken in this thesis is both theoretically and empirically grounded, which leads to a conceptual model that can be used to understand the inter-connectivity of CSR and accountability practices undertaken by organisations. Therefore, this study focuses on meanings and understanding that the industry participants hold about the concept of CSR and accountability (Easterby-Smith et al., 2000) and evaluated of a range of CSR and accountability practices in an attempt to gain some insights on how these practices have been used, authentically or strategically/symbolical, by the case organizations to engage with the stakeholders.

As the meaning of the CSR and accountability that the participants hold can be varied and multiple, it might be useful to look for the complexity of their views and thoughts (Creswell, 2009) as well as at each situation as a whole (Easterby-Smith et al., 1991) rather than narrowing meanings into a few categories or ideas (Creswell, 2009). Moreover, it is the goal of this research to optimize the understanding of the nature and motivations underlying the CSR and accountability practices (the lived phenomena) in the Malaysian unit trust industry (the specific context) by drawing upon insiders' perspectives rather than to generalize beyond the context (O'Dwyer and Unerman, 2007, Stake, 2005). Accordingly, the study will rely as much as possible on the participants' views, perspectives and feelings (Creswell, 2009). As the subjective meaning and understanding that the industry players hold about the concept of CSR and accountability is also informed by the cultural and historical context in where they work and live (Creswell, 2009), it is also important to consider the background of Malaysia in general, together with Malaysia's unit trust industry in particular which may inform their views on the issue.

As the study is concerned with exploring and assessing CSR and accountability practices, due to resource constraints (e.g. time), the study involves only a small number of industry players (Easterby-Smith et al., 1991), and employed a case study approach as it allows the researcher to understand real-life phenomena in depth (Yin, 2009) and to rely on multiple sources of evidence (Yin, 2003). In order to encourage the participants to share as much as possible about the issue, open-ended questions (instrument) and semi-structured interviews (method/technique) (O'Dwyer and Unerman, 2007) are used. In addition, to establish different views on the issue (Easterby-Smith et al., 1991), data from relevant documents (such as reports issued by the industry players) and direct observation were gathered and analysed to corroborate findings from the interviews. Basically, most of the data are qualitative in nature.

Data (e.g. the interview scripts), then, is interpreted inductively, which involves the notions of interpretation and description (Crotty, 1998) in an attempt to clarify 'the meanings' of CSR and accountability (Bauman, 1978) or identify common themes and patterns in generating rich descriptions and interpretive meanings (Miles and Huberman, 1994). In doing this, the researcher is aware that, to a certain extent, her own background may influence the interpretation of the case evidence (Creswell, 2009). Accordingly, the researcher acknowledges, that to a certain extent, case evidence interpretation may be informed by her own personal, cultural as well as historical experiences.

The research process is inductive in nature, as findings from the study may contribute to the development of theory(ies) (Morgan and Smircich, 1980) that are employed to explain and evaluate the case organizations' CSR and accountability practices as symbolic, strategic or authentic (Roberts, 2003, Burke and Logsdon, 1996, Porter and Kramer, 2006, Sprinkle and Maines, 2010).

Based on the justifications and arguments, the paradigm adopted here appears to conform closely to the interpretivism paradigm, as the ontology and epistemology adopted in the study adhere closely to this type of paradigm. Although there is a claim that interpretivism is an uncritical form of study (Crotty, 1998) and lacking evaluative perspective (Chua, 1986), this position is considered as appropriate in this study as it is interested in "... describing what goes on in an organization and possibly to suggest minor changes that might improve it" (Morgan and Smircich, 1980, p.26). Moreover, it allows the researcher to understand human and organizations behaviour by illuminating the 'meaning' of their CSR and accountability practices rather than to determine causality (Johnson and Duberley, 2000).

In addition, what is more fundamental, here, is by adopting interpretivism, the approach employed in this research is in line with the researcher's belief about the reality of the world, the case organizations' CSR and accountability practices. Under this paradigm the idea that we have about CSR and accountability is not external to us, we are the ones who construct or ascribe the meaning to it, and the meanings that we construct or ascribe are informed by our background and context. Table 4.1 summarizes the research strategy that is adopted in this study:

Table 4.1 Research strategy

1	Ontological orientation	Constructionism; our ideas about reality are subjectively and socially constructed
2	Epistemology orientation	Interpretivism; We can only know by interpreting
3	Principal orientation to the role of theory in relation to research	Inductive, generating theory

Adapting from Bryman and Bell (2007, p.228)

4.2.1 The Implication for Knowledge Generation

Given that interpretivism holds the view that reality of our social world is socially and subjectively created (Morgan and Smircich, 1980, Chua, 1986), only knowledge generated from within is accepted as valid knowledge. Consequently, findings from this research mainly draws upon the insiders' perspectives based on the respondents' views, perspectives and opinions about the issue in the specific context (Creswell, 2009).

In addition, knowledge created is a matter of perspective (Morgan, 1988), context bound (Jones, 1982), limited, and partial (Morgan, 1988). Hence, the findings from the research cannot be generalized to the wider population or assume to be applicable to different settings, such as unit trust industry in other countries. However, as explained earlier, it is not the objective of this research to generalize the findings to other or different contexts.

Nevertheless, it is important to highlight that this study explores and examines the case organizations' CSR and 'account-giving' practices and mechanisms within a particular context which is a Malaysian hybrid of market economy and social welfare governing in a developing country. The case organizations' CSR and accountability practices and mechanisms are evaluated within this particular worldview and it is beyond the scope of this thesis to discuss the appropriateness of this political governance regime. The researcher does not see this governance approach is substantively problematic although it could be improved. Therefore, it is not the objective to propose changes to the current system of governance in this study.

The researcher holds a view that this hybrid form of governance is conceptually good but in terms of how it is delivered or implemented on day-to-day basis its governing practices could be improved. The philosophy of Malaysian governance is not a question for this study. However, as discussed in the empirical and conclusion chapters, there are processes and practices that could be undertaken more effectively.

4.3 Research Approach/Design

Yin (2009) claims that the research questions, control over empirical sites and the focus of inquiry should be considered in determining the appropriate research approach. As this study attempts to understand and assess practices that can be associated with attempts to discharge a broader conception of responsibility and accountability in the context of the Malaysian unit trust industry, therefore the case study approach is considered the most appropriate (Morgan, 1988, Yin, 2009) to be employed.

Attempts to address the research questions of this study require data or evidence that are gathered from different sources. Data gathered from semi-structured interviews were used, for example, to address research questions regarding (i) the case organizations' perspectives or views of their responsibility and accountability as well as (ii) the case organizations' CSR and accountability practices. Evidence gathered from document review and observation, then, is required in order to (i) corroborate the interview data; and (ii) make inferences (Yin, 2009). Therefore, case study was selected as the study approach as one of its strengths is the ability to deal with multiple sources of data.

This study involves two empirical stages. Phase one involves explaining and evaluating the regulatory framework of unit trust industry in Malaysia. This was mainly undertaken based on industry data provided by the Security Commission Malaysia (SC) as well as all relevant acts and guidelines. This work is considered as essential in providing basic and key background information of the industry. Table 4.2 lists the acts, the guidelines, and the industry statistics that were reviewed in the phase one of the study.

Table 4.2 Documents/ Statistics reviewed (Phase one)

Documents/ Statistics reviewed
Acts and guidelines: 1. Capital Market & Securities Act 2007 2. Guidelines on Unit Trust Funds 3. Prospectus Guidelines for Collective Investment Schemes 4. Guidelines on Marketing and Distribution of Unit Trust Funds 5. Guidelines on Advertisements and Promotional Materials 6. Guidelines on Online Transactions and Activities in relation to Unit Trusts Statistics: 1. Malaysia Unit Trust Funds Summary of Statistic 2004 to 2009 2. Malaysia Unit Trust Funds Summary of Statistic 2010

In the second phase, a range of unit trust management companies (UTMC) identified in the earlier phase, and several UTMCs varying in ownership structure were approached to be case studies to allow richer data to be collected as it represents various perspectives (Georgakopoulos and Thomson, 2008). In addition to the UTMCs, the industry regulator and the industry self-regulatory body were also invited to take part in the research.

Accordingly, the research approach employed can be defined as a multiple-case study. Despite the suitability of a case study design to the research questions, one of the concerns of this approach is the issue of generalizability. Since the cases selected are not representative, it potentially lacks external validity. However, Yin (2009) claims that findings are generalizable in relation to theoretical propositions. In addition, it is not the goal of this approach to generalize the findings to the population (Yin, 2009). A case study approach can be employed for both theory testing and theory generating (Easterby-Smith et al., 1991). Prior research into CSR and accountability practices has used a range of different research methods. However, case study method is used limitedly in these past researches. Therefore, this study seeks to develop additional empirical insights into CSR and accountability practices through a case study approach, into an under—explored empirical site.

4.4 Initial Survey and Research Setting

Justification of why Malaysia and its unit trust industry was chosen as the research context is provided in this section (Chapter 5 provides a detailed explanation on Malaysia e.g. culture and economy, and its unit trust industry as additional data/ reasons to support justification are provided here) which is then followed by explanation and discussion over processes and the findings of the two preliminary studies and the research setting.

4.4.1 Why the Malaysian Unit Trust Industry?

There are four reasons which justify the chosen empirical site. First, Malaysia is a unique multicultural country made up of different ethnic groups. According to Environmental Determinism theory and prior empirical studies (see, for example, Doupnik and Tsakumis, 2004, Tsakumis, 2007), culture is an environmental factor that can have an influence on accounting practices. Malaysia, as a multicultural society, with different languages, races and religions, provides an opportunity to the researcher to explore whether different types of ownership structure have any effect on the CSR and accountability practices undertaken by the unit trust management companies.

Secondly, the history and development of the industry in Malaysia reflects part of the government's effort to ensure the economic survival of the *Bumiputera.* This was achieved using the Federal-government UTMC to control and manage strategic companies holding a 30 percent stake in the capital market as mandated in the New Economy Plan. Within the Malaysian context, unit trusts have been used as a vehicle to improve the socio-economic status of Malaysians in the long-term (Saruwatari, 1991). This industry is a significant component of the capital market of Malaysia that has grown five-fold over the last decade and by far is the largest component within the collective investment scheme (CIS) industry (Securities Commission Malaysia, 2011c)[13]. It has also contributed into the democratisation process of the corporate securities ownership (Securities Commission Malaysia, 2004). Thirdly, during the 1990s, to promote industry growth, the government introduced a policy encouraging privately-owned UTMCs to enter the market. While this is important to the competitiveness of the industry, it is expected to have some effects in terms of maintaining and gaining support from the *Bumiputera*. Accordingly, UTMCs regardless of the ownership structure are expected to employ a range of engagement activities some of which are regulated and some of which are voluntary and in order to mobilize support from the existing and potential unit holders.

Fourthly, the unstable economic conditions experienced by the country (see Table 5.1 and Table 5.2) affecting the industry as well during the period of study could raise another interesting point on the research setting taken under this study.

Therefore, it is argued that the Malaysian unit trust industry provides a unique empirical setting to explore and assess the case organizations' CSR and accountability practices as to whether the practices are purely or authentically undertaken to benefit the stakeholders or merely as a tool to advance their power and interests (Lehman, 2007, Roberts, 2003). The research processes undertaken are explained in the next sections.

4.4.2 Phase 1: Initial Survey

As explained in Section 4.3, an attempt to describe and evaluate the regulatory framework as well as exploring the general performance and reporting practices of the unit trust industry in Malaysia was undertaken at the very beginning of the study as this aspect is considered as essential in providing the basic and key background of the industry. This was then followed by two preliminary studies.

[13] This is the latest statistic available during the time of study.

It may be worthwhile to mention that at the commencement of the study, the focus of the research was to examine the voluntary disclosure practices in the unit trust industry. With this initial research focus the main research questions at this stage are:

i. To what extent do unit trust sector management companies engage in voluntary disclosure practices?
ii. Is the voluntary disclosure practice by the management companies influenced by ownership structure and organizational values and beliefs?

With that in mind, in addition to research activities carried out in phase one, two preliminary studies were also undertaken. In the first preliminary study, one to five unit trust fund annual reports of four UTMCs were content analysed. This procedure was carried out with the aim to gain some insights of the industry reporting and disclosure practices. These UTMCs were selected due to (i) ownership structure and (ii) the availability of and accessibility to the fund reports. The fund reports were either gathered manually or downloaded from the UTMC website or the SC Malaysia unit trust database.

It was found that very limited evidence of additional or voluntary information other than mandatory financial information was provided in the fund annual accounts (see Table 6.1). This may have been due to nature of the industry which provides financial services which require face-to-face or direct contact with clients or potential clients. This could allow the industry players to utilize other mediums to provide additional information. This low level of voluntary disclosure to clients and shareholders may also be due to tight disclosure regulations and the enforcement regime. This is to ensure the industry players comply with relevant guidelines.

Based on the findings of the preliminary study of the disclosure on the annual reports, further study of these organizations disclosure practices was undertaken. This considered all possible communication channels among UTMCs, a trade organization, industry regulators, unit holders, potential unit holders and the public as suggested by other researchers, for example Ghazali (2004).

These channels or mediums of communications include organization websites, press releases and any other documents published by the UTMCs, the industry trade organization and the self-regulatory organizations such as prospectuses, bulletins or magazines. It has been revealed that the websites of the UMTCs had common content and layout with sections for investors' education which cover issues on investing in unit trusts, news and press releases, including investor and public activities or programs, the latest funds' annual reports and prospectuses (in the form of PDF files that can be downloaded). These websites also included information about products and other services as well as awards received by the UTMCs. This survey identified a diverse range of the stakeholder engagement practices (accountability practices and CSR activities) in addition to the formal financial reporting. This survey informed the subsequent design of the main empirical questions which involved moving beyond the formal financial reports as means of stakeholder engaging through mandated account-giving practices.

4.4.3 Phase 2: Research Setting

4.4.3.1 Identifying and Making Contact: Sweet & Sour

Having completed preliminary studies, the new focus of the study was to explore disclosure practices and accountability in the unit trust industry by considering communication channels or mediums. With this new research focus the main research questions were slightly changed to:

i) How do unit trust management companies engage in voluntary disclosure practice?

ii) What factor(s) influence voluntary disclosure by unit trust managers?

iii) Does voluntary disclosure practice reflect the social accountability of the managers and distributors?

From the end of May 2010, the researcher started to identify and gather contact details of Malaysian unit trust industry players and regulators. The key players of the industry identified for the purpose of this research are:

i. the UTMCs- the list and the contact details was downloaded from the SC Malaysia website

ii. the Distributors/Advisers (CUTA, IUTA and UTC)- list and contact details for CUTA and IUTA were downloaded from the industry trade organization, Federation of Investment Manager Malaysia (FIMM) [14] website

iii. the SC Malaysia and the FIMM contact details were gathered from their respective websites

Phone calls were made to eight UTMCs (including four UTMCs that were in Preliminary Study 1 and 2), three corporate unit trust advisers (CUTA), one institutional unit trust adviser (IUTA), the SC Malaysia and the FIMM in order to identify the right person or department to be contacted. In addition, four individual unit trust consultants (UTC) also contacted directly via phone calls. Since there is no list of individual UTCs available from both the SC Malaysia and the FIMM, the UTCs contacted were identified based on the researcher's personal contacts. The eight UTMCs which were contacted vary in ownership structure. These included two government or state-sponsored, three bank-sponsored, two financial services institution-sponsored and one statutory body-sponsored institution.

For UTMCs, CUTAs and IUTA, the phone calls made were either transferred directly to the appropriate person or department or the researcher was given the appropriate person's name or department, as well as address and fax number for correspondence was given. This was to enable the researcher to obtain consent to carry out research. First, attempt letters were faxed and the originals were sent via postal mail. However, some of the companies asked for the letter to be sent via electronic mail.

[14] On 20 January 2011, FIMM was recognized as a Self Regulatory Organization ("SRO") by the Securities Commission Malaysia via a gazette order.

After several follow up calls and emails, initially only three out of eight UTMCs, two CUTAs, the IUTA, four UTCs, and the FIMM agreed to participate in the study with two pending responses from one UTMC and SC Malaysia. Based on these responses and due to uncertainty of obtaining a positive response from one of these UTMCs, three more UTMCs were contacted. The responses, however, were even more discouraging. Two of these UTMCs refused to participate in the research and one UTMC, despite several follow up phone calls, provided no response.

However, after several additional follow up calls, one more UTMC gave their consent to take part in the research. The research case organizations consist of two government/state-sponsored, one statutory body-sponsored and one private-sponsored UTMC. In terms of size, two are big players in the industry, one is medium-sized and another is a small-sized UTMC (brief background information of the case organizations is provided in the following section).

Obtaining consent from the industry regulator was challenging. Through an initial phone call to its corporate affairs department, it was made clear that the research application letter needed to be faxed to this department by addressing the letter to the head of department and the researcher was advised to wait for a reply, since then all communication with SC Malaysia was made through this department. A few days later, an email from SC Malaysia was received asking for the list of interview questions to be sent first to SC as the decision to give consent would depend heavily on the interview questions/issues. As the interview questions were not yet to be complete, a reply was sent to them by explaining that the interview questions were still under construction and would be sent once ready.

With the intention to obtain the SC Malaysia feedback as soon as possible, after seeking advice from the researcher's supervisor, a list of interview topics and subtopics was prepared and sent to SC Malaysia via email. The SC Malaysia, surprisingly, responded within a short period of time. Instead of granting or not granting permission for the interview, as they thought that the interview topics were too broad, several references that can be downloaded via the SC Malaysia website were suggested in the email. Immediately, to renegotiate access to the SC Malaysia, another phone call was made to the officer in-charge explaining the current situation and convincing her why interviewing the SC Malaysia was very crucial to the study as well as making a promise to send the interview questions as soon as possible.

The officer in-charge, fortunately, agreed to consider the request and advised the researcher to email the interview questions to her. She reminded the researcher to list every question that would be asked during the interview as it is important for them to scrutinize each of the questions as SC Malaysia has to be very careful in giving their responses or views. Although it was a huge relief to gain interview consent, it was a reminder that SC Malaysia, in some ways, is rather rigid. After a lengthy wait, fortunately, positive feedback to conduct an interview with the Head of Managed Investments of SC Malaysia was secured when the researcher was already in Malaysia.

In an early attempt to contact FIMM, the self-regulatory organization of the unit trust industry, a phone call was made to the number provided in its website. The call was then transferred to the CEO's personal assistant who later suggested the research letter be faxed to her by addressing the letter to the CEO. A few days later, an email from the personal assistant of the FIMM CEO was received. It was quite surprising as the content of the email was not as expected as FIMM suggested a few UTMCs that could be contacted for the study.

As the researcher suspected FIMM had misunderstood the objective of study stated in the application letter be too general for FIMM, a second phone call was made directly to the assistant. After explaining how interviewing FIMM is relevant to the study, the researcher promised to send a new letter outlining more specifically the relevant objectives regarding the role of FIMM in the industry. A few days after the 'modified' version letter was sent to FIMM, a follow up phone call to the personal assistant resulted in positive news as the FIMM CEO agreed to be interviewed on a date and time specified by them.

Having completed the first interview session, it became clear that investor and public education was one of issues that has received great attention from industry players and regulators (discussed further in Chapter 6, 7 and 8). By considering the findings from the first interview session, which is supported by evidence from the first documentation review and through the help from additional reading, the focus of the research was slightly changed once again to explore and assess the case organizations stakeholder engagement via CSR activities and accountability practices. Hence, the final research questions are as follows:

(i) How do the case organisations engage with stakeholders and what mechanisms are used in such practices?

(ii) What types of CSR initiatives and accountability practices have been undertaken by the case organisations?

(iii) Are the CSR initiatives and accountability practices undertaken to discharge the case organisations' social responsibility and accountability or to advance their hegemonic/business interests?

Accordingly, the second phase of interviews were undertaken with several interviewees to explore in-depth regarding CSR and accountability practices, particularly the voluntary financial education initiative.

4.4.4 The Case Study Organizations[15]

There are five case organizations consisting of four unit trust management companies and a self-regulatory organization of the industry, FIMM. A brief background of each case organization is provided in this section.

4.4.4.1 FGU and FGUS (Federal government-sponsored/owned UTMC)

FGU is federal government-sponsored and was incorporated in March 1978. It was conceived as a pivotal instrument of the Government's New Economic Policy to promote shared ownership in the corporate sector among the *Bumiputera*, and develop opportunities for suitable *Bumiputera* professionals to participate in the creation and management of wealth.

Through FGU, substantial shares acquired in major Malaysian corporations from funds provided by Bumiputra Investment Foundation were transferred to a trust fund and sold to the *Bumiputera* in the form of smaller units through its investment-arm

[15] The name of the four case organizations, all are UTMCs, was anonymous to protect their identity.

subsidiary company, FGUS that was established solely to manage and market their unit trust funds.

By employing this innovative investment model, it ensures that these shares are retained, resulting in the cultivation of widespread savings habits and development of entrepreneurship and investment skills of *Bumiputera.* With funds under management totalling more than RM194 billion, the FGU Group is the country's leading investment institution with a diversified portfolio of interests that include unit trusts, institution property trusts, property management and asset management. To help achieve more effective and efficient management and selling of unit trust funds, FGUS was incorporated in May 1979 wholly as a subsidiary of FGU. In addition, FGUS is also jointly responsible for educating the *Bumiputera* of the benefits of investing in the proposed unit trust launch by the government from time to time.

4.4.4.2 PSU and WA (Private-sponsored/owned UTMC)

PSU is a premier asset management company that commenced its operations as a unit trust company in November 1995. It was jointly owned by one of the biggest banking groups in Malaysia and one NYSE-listed global financial service company. It is one of the largest asset management companies in Malaysia with a regional footprint covering Singapore, Indonesia and Thailand. It manufactures and distributes a comprehensive range of unit trust funds, and manages customized portfolio mandates for corporations, institutions, as well as government and pension funds. Its regionally integrated team of dedicated investment professionals offers expertise ranging from equity, fixed income, cash management, and Sharia[16]-compliant fund management. PSU is a participating unit trust management company under the Malaysia Employees' Provident Fund (EPF) Members' Investment Scheme and is responsible for managing more than RM22.42 billion on behalf of individuals and corporations in Malaysia.

[16] Islamic law

Meanwhile, WA, also owned by the same banking group, was incorporated in 1990. Since its incorporation it has grown into one of the largest retail distribution arms in the financial services industry, with a dynamic sales force of about 4,600 FIMM (formerly known as FMUTM) registered consultants and financial planners. Both companies are housed under the group asset management. The synergy from the integration of these companies under this group is expected to bring together a powerful range of strengths that enable the development of innovative products distributed through multiple channels.

4.4.4.3 SBSU (Statutory body-sponsored/owned UTMC)

SBSU was incorporated on January 1993 under the Companies Act 1965. SBSU is a wholly owned subsidiary of ASMB. SBSU's ultimate parent is MAR, an important statutory body in Malaysia. SBSU's principal activities are unit trust management and fund management. SBSU is licensed under the Act and has an authorized share capital at RM5 million and paid up capital of RM4 million. Prior to SBSU establishment, unit trust funds operation was under ASMB. The first unit trust fund was established on 6 April 1968.

With the advent of the Securities Act 1993 which, among others, requires unit trust funds to be wholly managed by a unit trust management company, ASMB has established SBSU and transferred the unit trust operations and its respective staff to SBSU. From being under ASMB to its current status, it has more than 40 years' experience in managing unit trust funds.

SBSU is a licensed fund manager and an Institutional Unit Trust Adviser (IUTA), approved to market third party unit trust products. SBSU is also one of the approved fund management institutions for the EPF Members' Investment Scheme. Currently, SBSU manages third party funds and 13 unit trust funds, 11 of which are open to all races, , with a total fund size of 2.64 billion units.

4.4.4.4 SSU (State-sponsored/ owned UTMC)

SSU is a state-sponsored UTMC, established in September 1994 under the Companies Act 1965. SSU is licensed under the Act and has an authorized share capital at RM10 million and paid up capital of RM8.4 million. Although the initial objective of establishment was to be a sponsor and manager of the unit trust fund, from 2007, as a response to changes that took place in the industry regulatory framework, SSU started to offer a portfolio management service to institutions, government agencies and corporates.

Currently, SSU manages three funds consisting of one unit trust fund and two corporate funds. Its only unit trust fund was launched in 1995 as part of the integration effort of the state to improve economic status among the *Bumiputera*. The fund is regarded as an investment alternative that complies with Islamic law or Sharia with the aim to distribute and channel the state and nation wealth to the public in a fairer and just manner.

4.4.4.5 The Federation of Investment Managers Malaysia (FIMM)

The Federation of Investment Managers Malaysia (FIMM) was incorporated initially as the industry trade organization in 1993. In February 2011, however, FIMM became recognized by SC Malaysia as a Self-Regulatory Organization (SRO) for the unit trust industry. As SRO is recognized under the Capital Market and Services Act 2007 (CMA 2007), FIMM’s role is to regulate its own members while also ensuring that investors are protected and public interest is upheld.

It was incorporated with a mission to build the highest level of trust, integrity, standards and ethics for investor security, growth and knowledge in the investment management industry. In addition, to provide information, assistance and other services to its members consisting of unit trust industry players. It also aims to improve the regulatory, fiscal and legal environment for unit trusts as well as to formulate sound and ethical business practices to promote the interests of the unit trust industry and provide investor protection. Moreover, FIMM is also responsible to promote public awareness regarding the benefits and risks of investing in unit trusts.

4.5 Data Collection and Analysis

In collecting data, three main methods were used: semi-structured interviews, document analysis and direct observation. Explanation of how they are used, as well as how the data was analysed is provided in this section.

4.5.1 In-depth Semi-structured Interviews

A discovering-oriented qualitative method was adopted which involves conducting intensive individual interviews which were semi-structured in nature. This is undertaken with the aim of exploring respondents' perspectives, points of view and feelings on a range of particular issues, programs or ideas (Creswell, 2009, Guion, 2006, Bryman and Bell, 2007, Morgan and Smircich, 1980). It is a useful technique for researchers who are looking for detailed and deep information from respondents about their thoughts, opinions and behaviour on certain issues (Creswell, 2009) and it is also appropriate for research that is interested in exploring new issues in depth (Creswell, 2009).

Creswell (2009) argues that the primary advantage of the in-depth interview is it provides the researcher with more rich and detailed data or information about the issues of concern compared to other methods. Moreover, its semi-structured structure approach helps the researcher to focus directly on the issues surrounding it.

However, one of the weaknesses or limitations of the semi-structured interview is that it is subject to biasness in response (Yin, 2009). Responses from the interviewees could be biased due to their stake in the issues of concerned. Nevertheless, provided that the researcher carefully and systematically designs and conducts the interviews, this limitation may have only minimal effect. Finally, the findings from the in depth semi-structured interviews could not be generalized beyond the study context (Creswell, 2009).

Given the objectives of this study semi-structured in-depth interviews are deemed appropriate and very useful in obtaining the relevant data. Several interviews were conducted with senior or relevant officers working within the various institutions in the sector over a certain period of time. The brief outlines of issues or the interview guide (Morgan and Smircich, 1980) was sent out to all of the respondents in advance, prior to the interviews. Thus, the interviewees had at least a rough idea about the issues to be discussed. The list of institutions and key informants are as depicted in Table 4.3.

The flexibility in conducting the interviews, for instance, by allowing the interviewees to lead the initial discussion, was likely to encourage the interviewees to share their opinions and perspectives about the issue from various angles which enable the researcher to gather rich data. Another crucial step involves recording each interview which was later transcribed and field notes were prepared. In addition, a review of the field notes, as well as several documents after the first two or three interviews helped the researcher to build an initial pattern of issues for probing subsequent interviews.

4.5.2 Pilot Interview

One of the benefits of conducting a pilot study is to improve the concept, design, instruments and procedure of the primary study (Anderson and Burns, 1989). In addition, it helped the researcher to develop and standardise the interview questions for the main study (Saidin, 2012). Hence, a pilot interview was conducted before the main series of interviews were undertaken.

The pilot interview was carried out with one adviser in Malaysia which lasted approximately forty five minutes. This was done in order to test the clarity of the questions as well as to see whether the questions are appropriate for the main study. Based on the pilot interview, several interview questions were refined to make them easier to understand during the main interviews sessions. Data from the pilot interview was analysed manually to identify additional themes or issues that were overlook.

4.5.3 Conducting Interviews

The case studies evidence is primarily constructed from 21 in-depth interviews held over a period of 12 months (from July 2010 to June 2011) with relevant case organization officers and staff and other industry participants. These interviews were corroborated with a thorough analysis of documentation which was gathered as part of it (see Table 4.5 for a comprehensive list of the documents), together with a direct observation. The interviews were designed to instigate a conversation about the understanding of CSR and accountability, who the stakeholders are and, how they practice and discharge the social responsibility and accountability. An initial series of semi-structured interviews were held in the period July to September 2010 and the secondary follow up interviews were conducted between April and June 2011. The second series of the follow up interviews were used to clarify issues or findings from the first interview sessions that needed further explanation. Between these two time periods, several phone calls and emails were also used to contact some of the interviewees to follow up on any issues that needed further clarification.

All interviewees were sent a list of questions prior to their interview. All except the interview with the regulator were recorded and fully transcribed. These interviews lasted between 45 minutes and one and a half hours. The interview with the regulator was transcribed immediately based on the notes taken during the interview to ensure all important and relevant information was retained. The regulator also requested the researcher to email the notes taken during the interview together with a brief explanation of the researcher's understanding on the overall content of the interview to ensure that the researcher's understanding on the issues discussed during the interview was consistent with what was meant by the interviewee.

Most of the interviews were conducted in the interviewees' offices. Due to time and logistics constraint, one interview with a compliance officer of one UTMC was undertaken over the telephone. Apart from four interviews, the interviews were conducted in English. For interviews conducted in a mix of English and Malay, the whole sentence as well as the whole answer for each question was listened to several times by the researcher before being translated and transcribed into English to ensure the actual meaning was preserved/not changed.

Notes were taken throughout the interviews which provided an initial record of analysis and interpretation prior to the formal processing and interpretation of the evidence gathered (O'Dwyer and Unerman, 2008, p.808). The feedback from earlier interviews or from different parties in the industry as well as analysis of the interview notes helped the researcher to identify and accumulate a pattern of issues for further probing in the subsequent interviews (O'Dwyer and Unerman, 2008).

Table 4.3 List of institutions and interviewees

Institutions	**Interviewees (key informants)**
UTMCs	• Management representatives (6 persons: 1 CEO, 1 Vice-president, 2 General Manager, 1 Manager, 1 CSR officer) • Officers involved in preparing the reports (4 persons: 1 accountant, 3 compliance officers) • UT individual consultants (6 persons; tied consultants)
Rule Enforcers	• The Security Commission Malaysia officer responsible for the unit trust industry (1 person) • Representative of Fund Investment Managers of Malaysia (1 person, the executive director)
UT Distributors/ Advisers	• UT consultants of Corporate Unit Trust Adviser (2 persons: 1 CEO and 1 Senior executive) • UT consultant of Institutional Unit Trust Adviser (1 person, investment executive)

4.5.4 Interview Questions

The interview questions for the main interviews (Phase 1 and Phase 2) were developed based on the research questions which were informed by the literature review. Four themes formed the interview questions: background, responsibility, CSR and accountability relationship and practices, disclosure practices in the industry and expected future development.

As the interviewees have different roles in the industry, using the same themes, the interview questions were adapted in order to match the interviewee role and responsibility. Hence, there were three sets of questions for the three different types of respondents. The list of questions which was sent in advance to the interviewees only included the main themes of the intended interview. The comprehensive list of questions was used by the researcher to assist and guide her during the interviews process as to ensure all important and relevant issues were addressed.

For the follow up interview sessions, the main purpose was to explore and further discuss regarding their CSR and accountability practices, particularly the voluntary financial education initiatives undertaken by the case organizations. The follow up interview sessions also attempted to cover on any issues or themes that either emerged from the earlier session or that needed further explanation and clarification. Therefore, questions for these interview sessions were developed based on the themes and findings from the first interview sessions.

4.5.5 Analysing Interview Data

Despite the plethora of books on qualitative research methods (see, for example, Silverman, 2010, 2008, Patton, 2002, Miles and Huberman, 1994), O'Dwyer (2004, p.391) argues that the process of transforming qualitative data remains quite challenging. A systematic process of analysis is needed to transform interviews data into a well-founded and coherent narrative (O'Dwyer, 2004). Hence, as part of the efforts to produce an illuminating narrative, this study adapted Miles and Huberman's (1994) and O'Dwyer's (2004) approach to analyse the interviews data which involved three connected, sub processes. These are data reduction, data display and conclusion drawing/verification (Miles and Huberman, 1994, O'Dwyer, 2004).

4.5.5.1 Data reduction

Data reduction refers to "...the process of selecting, focusing, simplifying, abstracting, and transforming data..." (Miles and Huberman, 1994, p.10) that appears in field notes and interview transcripts and this process occurs continuously throughout the research project. Miles and Huberman (1994) remind that this process occurs even before the data are actually collected as the researcher decides, for example, which conceptual framework, and which data collections methods to choose. In this study, data reduction was undertaken partly with the help of NVivo8, a qualitative data analysis (QDA) software package through coding of data.

Codes and Coding

Raw field notes and verbatim transcripts reflect "the undigested complexity of reality" (Patton, 2002, p.463). These raw data needs to be classified to make sense of them (Bazeley, 2007) and this can be done, partly, using coding. Coding is analysis (Miles and Huberman, 1994) and one of the several methods of working with and building knowledge about data (Bazeley, 2007, p.66). Coding in qualitative research could be regarded as a way of classifying and then 'tagging' text with codes in order to facilitate later retrieval (Miles and Huberman, 1994, Bazeley, 2007). Bazeley (2007) argues that there are two broad or common approaches to coding whether to start with some general categories, then code in more detail or start with detail analysis and work up to broader categories (O'Dwyer, 2004). The latter approach is typically used by those working using grounded theories, phenomenology or discourse analysis (Bazeley, 2007).

Codes are defined as tags or labels for assigning units of meaning to the descriptive or inferential information (Miles and Huberman, 1994) that represent an object or phenomenon (Strauss and Corbin, 1998). Classification of text using codes not only could facilitate data management but will assist conceptualization (Bazeley, 2007). As we code (by using a NVivo software), patterns of association between codes will become apparent as codes not only link to data but each other as well (Bazeley,

2007) and this could help to identify patterns, in-depth insights and irregularities of evidence gathered from the transcriptions and field notes (O'Dwyer and Unerman, 2008). Codes can be at different level of analysis, ranging from descriptive to the inferential which can happen at different times during analysis (Miles and Huberman, 1994, p.58).

The process of data coding in this study was undertaken electronically, using NVivo 8 software. As the software by itself cannot analyse the interview data, therefore the researcher had to use tools available in the software such as 'free nodes' and 'tree nodes' to identify the common themes and patterns which were later used to generate rich descriptions and interpretive meanings (Miles and Huberman, 1994).

4.5.5.2 Data Display

Data display is defined as organised, compressed assembly of information that permits conclusion drawing and/or action taking (Miles and Huberman, 1994). Data display can help a researcher to understand what is happening and to do something (e.g. analyzing) based on understanding over displays. This could be very helpful as the researcher typically needs to see a reduced set of data as basis for thinking about its meanings (Georgakopolous, 2005). The displays include many types of matrices, graphs, charts and networks that are able to assemble organized information into an immediately accessible and compact form (Miles and Huberman, 1994, p.11).

4.5.5.3 Conclusion drawing/verification

This final sub process which is also referred as data interpretation (O'Dwyer, 2004) involves efforts from the researcher in interpreting the reduced data. In other words, it refers to attempts to draw meaning from the displayed data. Miles and Huberman (1994) classify tactics that could be used in this stage into two broad categories, tactics for generating meaning and tactics for testing or confirming findings. There is a large range of tactics for generating meaning which include, for example, noting patterns, themes, seeing plausibility, clustering, making metaphors, counting, contrasting and comparing (Miles and Huberman, 1994). Meanwhile, confirmatory tactics include, for example, triangulation, looking for negative cases, and following up surprises (Miles and Huberman, 1994).

Analysis of the interviews data undertaken in this study is explained in the following section.

4.5.5.4 The Analysis Process

Following Miles and Huberman (1994) and O'Dwyer (2004), the analysis of the interview data occurred in three phases was to identify patterns, in-depth insights and irregularities of evidence gathered from the transcriptions and field notes (O'Dwyer and Unerman, 2008). In the first phase, all the interviews were transcribed verbatim. As mentioned earlier, there are four interviews that were conducted in a mix of English and Malay. For interviews conducted in a mix of English and Malay, the whole sentence as well as the whole answer for each question was listened to several times by the researcher before attempting to translate and transcribe it into English. This is to ensure the actual meaning was retained. As the interview sessions lasted between 45 minutes and one and a half hours, the researcher had to take around four to six hours to transcribe each interview.

Initially, before the researcher started with data coding, the researcher had read the transcripts as well as the field notes, and listened to the interview recordings in order to get a general overview of the data (O'Dwyer, 2004, Bazeley, 2007). The interview transcripts (in Ms Word files) were then imported into NVivo 8 software. This software enabled the researcher to build a database for all the interviewees before all data could be grouped or coded. It eased the coding process by allowing the researcher to put all the coding into different group of categorization. Using this software, a post-interview analysis of transcripts was conducted through close reading of all transcripts and accompanying notes in order to search for essential themes in the evidence collected (O'Dwyer and Unerman, 2008).

The coding process, which involves two phases, was undertaken using 'free nodes' and 'tree nodes' functions of NVivo 8. First order coding which is descriptive in nature was carried out using free nodes. Free nodes enabled the researcher to create or identify as many 'open' codes as possible. This is helpful to make sure all relevant data is categorised. Guided but not bounded by the research questions, 48 descriptive codes were developed in this study.

Second order coding involves developing groups of meaning by building coherent categories and sub categories. This was undertaken using tree nodes where the initial themes identified or developed in free nodes were then compared and grouped under ten broader overarching themes (Bazeley, 2007). NVivo 8, which has the ability to record the main and sub categories of data simultaneously, helped to ease the data categorization process undertaken by the researcher. Here, coding was carried out in conjunction with annotating and memoing functions provided by the NVivo software. Annotations were used to note about a particular segment of text and memos were used for example, to note any issues or aspects related to a particular interviewee or themes.

The overarching themes (and their sub-themes) were then summarized into several pages of synthesis of the main findings which made extensive use of direct quotations from the transcripts (O'Dwyer and Unerman, 2008). Table 4.4 provides some examples of categories and sub categories of these themes.

In the second stage (data display), a (relationship) map was developed to illustrate the various themes and reveal their relationship. This map also provided a visual interpretation of the main themes identified. As part of this process, transcripts were also reread where deemed necessary (O'Dwyer and Unerman, 2008).

The third stage of analysis (data interpretation) involved identification of key patterns in evidence, revisiting transcripts, writing initial description of findings and interpretation descriptive evidence using the analytical theme. The description of the interview findings was prepared mainly based on the summary of the main interview findings (prepared in the second stage) and the (relationship) map. The main interview findings were then corroborated with evidence from the document review and direct observation in order to make inferences and draw conclusions. The main findings of the study was then interpreted and evaluated using the theoretical framework developed in this study. Further explanation and discussion on how the empirical evidence was analysed against the idealised stakeholder engagement model developed in Chapter 3 is provided in Section 4.5.9.

It is worthwhile to note that the process of (re)writing was very crucial in this study as writing "...is itself a focusing and forcing device that propels further analysis" (Miles and Huberman, 1994, p.101). In this study, (re)writing was regarded as an important part of analysis as the researcher attempted to move from a thick description of findings to a more meaningful and analytical interpretation of evidence. The process of (re)writing not only helped the researcher to construct 'stories' about the case organizations' CSR and account-giving practices but also assisted the researcher to link, compare and contrast evidence in order to make sense of the findings of the case organizations relating to their CSR and accountability practices.

Concisely, the analysis involves (1) thematic coding by rereading the interview transcripts and field notes several times in order to identify themes and ensure all relevant evidence to the issues have been taken into consideration (2) in an attempt to move to inferential coding, a (relationship) map was developed to illustrate the various themes and reveal their relationship which tries to make sense of the evidence in the study context and theorize the empirical findings by (3) describing and evaluating the findings based on the theoretical framework developed for the study.

Table 4.4 Examples of categories & sub-categories of themes

Themes	**Codes/categories**	**Sub-codes/categories**
Motivation	Best practices Competition Corporate responsibility Create awareness Education Gain trust Performance Reputation	-
Approaches to voluntary initiatives	'Beyond traditional' approaches ‘Traditional' ways Regulators initiatives	Media 'On Field'

4.5.6 Documentation Review

Documentation is a set of sources of data which comprises of various kinds of fairly different documents. For instance, letters, memos, internal reports, annual reports and magazines (Yin, 2009, Bryman and Bell, 2007). Data from documents may serve different purposes, for example, in a case study research, it helps to corroborate and augment evidence from other sources (Yin, 2009).

Documents as a source of data in the study offer various advantages. First, they are stable (Yin, 2009) in nature which means that researchers are able to review them repeatedly over time, without worry of significant changes in the content of the documents. Furthermore, generally, the information in the documents are exact (Yin, 2009), for instance, they contain exact names, dates, references, figures and accounts. In addition, annual reports and press releases of the UTMCs have broad coverage in terms of a long span of time with many events being reported or included.

Nevertheless, Yin (2009) argues that irretrievability can be a big issue if the relevant and important documents cannot be found or are difficult to access. In addition, researchers may be subject to biased selectivity if the collection of the documents is not complete; although, it is not an easy task to determine whether the documents are complete or not. However, as the researcher was able to gain access to various arrays of documents, both these limitations had little implication on the study.

In this study documentation review has been carried out in two phases. This is important as it helps the researcher to (1) corroborate information from interviews as well as to (2) make inferences (Yin, 2009). The first phase documentation review, including the review of legal documents issued by the SC, company websites, sample of unit trust annual reports, was conducted before undertaking the interviews. Although not as comprehensive as the second phase, it helped the researcher to form some basic ideas and understanding of the voluntary initiatives practices of the industry.

In the second phase, the study reviewed, extensively, a set of different documents, for example, annual reports, press releases, prospectus of participating UTMCs, legal documents issued by SC Malaysia, company websites amongst others (please refer to Table 4.5 for the detailed list of documents). The evidence collected emanated from various sources, mainly from the organizations' websites, the organizations' library/collection, local newspapers, as well as from the SC Malaysia unit trust database.

4.5.7 (Qualitative) Content Analysis

Despite being a time consuming and labour-intensive method, content analysis is one of the most important tools used widely in communication research (Bryman, 2008, Boesso and Kumar, 2007). Many prior studies have used content analysis, for example, in the study of disclosures (see, for example, Holder-Webb et al., 2009, Lightstone and Driscoll, 2008, Boesso and Kumar, 2007, Ghazali and Weetman, 2006)

Content analysis as viewed by Weber (1988) as cited in Holder-Webb et al. (2009) is a research technique where texts or content of written text are sorted into various groups based on certain criteria. Differing from discourse analysis, both the categories and the way material is to be interpreted and coded are predetermined and not guided by the discourse (Wood and Kroger, 2000). Common criticism of this type of analysis is that the researcher tends to highlight those aspects which fit a preconceived perception (Easterby-Smith et al., 1999 as cited in Whysall, 2005). According to Bryman and Bell (2007), this procedure is referred to as quantitative content analysis.

Qualitative content analysis comprises identifying key themes in the materials being analysed (Bryman and Bell, 2007). Differing from quantitative content analysis, the process of identifying the themes is more implicit. It involves iterative steps where the researcher is constantly revising the themes or categories that are distilled from examining the documents (Bryman and Bell, 2007). In short, according to Bryman and Bell (2007) this strategy requires much more integration between conceptualization, data collection, analysis and interpretation along the process. However, the nature of this analysis may limit the size of the unit of analysis (Boesso and Kumar, 2007).

For the purposes of this study, the relevant documents have been content analysed by employing thematic analysis (Krippendorff, 2004), which involves a theme or combination of several categories. As the data from the documents is to help the researcher to (1) corroborate information from interviews as well as to (2) make inferences (Yin, 2009), the common themes that have been identified or emerged from the interviews data were employed in analysing the documents of organizations studied. The researcher, however, was also aware of the possibility of new themes to emerge from documentation sources. The coding unit consists of words, sentences, paragraphs, section or even a whole document (e.g. a newspaper article) by taking into account the context unit which is normally larger than the coding unit as a means to assist the researcher to understand the coding unit.

Table 4.5 List of documentations reviewed

	Organizations	Documents
1	FGU and FGUS	Mandatory documents: 1. Master Prospectus 30 June 2010- 29 June 2011 2. Annual report (Laporan tahunan) SW 31 Aug 2008 (FY 2007) 3. Annual report (Laporan tahunan) SB 31 Aug 2008 (FY 2007) 4. Annual report (Laporan tahunan) SG 31 Mar 2009 (FY 2008) 5. Annual report (Laporan tahunan) SM 31 Mar 2009 (FY 2008) 6. Annual report (Laporan tahunan) SBSN 31 Dec 2009 (FY 2009) 7. Annual report (Laporan tahunan) SG 31 Mar 2010 (FY 2009) Other documents: 8. Lecture text, 'Effective Leadership: The FGU Experience', 11 June 2008, President & Group CEO FGU@ Adjunct Professor, Department of Business Admin., Kulliyyah of Economics & Management Sciences, IIUM 9. CEO speech, 7 Feb 2009, MOU agreement ceremony between UNITEN and Malaysian Financial Planning Council, Universiti Tenaga Malaysia (UNITEN)

Table 4.5 List of documentations reviewed (continued)

	Organizations	Documents
	FGU & FGUS	10. CEO speech 'Academic & Industry Chemistry', 24 March 2010, President & Group CEO FGU, Institute of Leadership and Quality Management, UiTM. 11. CEO speech 'Statistic for Continuous Improvement', 13 June 2010, President & Group CEO FGU, Keynote Address, Regional Conference on Statistical Sciences. 12. CEO speech, 23 Aug 2008, Doctor Philosophy Degree in Business Awarding Ceremony, College of Business & Accounting, UNITEN 13. Tentative programs schedule, MSAM 2010 & MSAM 2011 14. Photos collection of MSAM 2010 & MSAM 2011 15. Annual report 2005 & Annual report 2007, 2008, 2009 (Chairmen statement, CEO Statement and CSR section only) 16. Booklet 'The Memoir of MSAM 1999-2008 17. 19 newspaper articles about FGU/FGUS 360-day public seminar 18. FGU and FGUS website
2	PSU and WA	**PSU** Mandatory documents: 1. Annual report 31 Dec 2009 PSU Islamic Balanced Growth Fund (YE 2009) 2. Annual report 14 May 2010 (Maturity date) PSU-Principal Global Income Fund (YE 2009) 3. Annual report 30 Nov 2009 PSU Principal Equity Growth Fund (YE 2008) 4. Annual Report 31 Dec 2008 Lifetime Trust (YE 2008) 5. Annual Report 30 April 2008 PSU Islamic Asia Pacific Equity Fund (YE 2007) 6. Annual Report 30 April 2008 PSU Global Asset Spectra Fund (YE 2007)

Table 4.5 List of documentations reviewed (continued)

	Organizations	Documents
	PSU and WA	7. Prospectus, PSU Australian Equity Fund 20 March 2010- 19 March 2011 8. Master Prospectus (Syariah Compliant Funds Other documents: 9. Investor Circle, August 2010 10. Investors Circle, April 2010 11. Investors Circle, June 2009 12. Investors Circle, March 2009 13. Investors Circle, Dec 2008 14. Investors Circle, Sept 2008 15. Fund fact sheet PSU Islamic Global Commodities Equity Fund, 30 Nov 2010 16. Fund fact sheet PSU Islamic Global Emerging markets Equity Fund, 30 Nov 2010 17. Fund fact sheet PSU Balanced Fund, 30 Nov 2010 18. Fund fact sheet PSU Small Cap Fund, 30 Nov 2010 19. PSU & WA website 20. Newspaper article 'PSU Bags Most Innovative Award for Investor Education', 27 March 2009, BERNAMA **WA:** **Articles in** A. News papers 1. 'Rancang Persaraan Sendiri' [Plan Your Retirement], 11 Oct 2010, Utusan 2. 'Managing wealth smartly', 8 Oct 2010, The Sun B. Financial Magazines 3. 'Allocating Assets Wisely', Jan 2007, Smart Investor, pp.33. 4. 'Young Couple with Big Plans', April 2010, Personal Money, pp.62-63.

Table 4.5 List of documentations reviewed (continued)

	Organizations	Documents
	PSU and WA	C. Professional Journal 5. Building the Financial Planning Platform', (2008), The 4E Journal, April-June, pp.12-14. A Growing Business Franchise', (2010), The 4E Journal, April-June, pp.47-49. Other: 6. WA Public Investment Seminar newspaper/online advertisements
3	SBSU	Mandatory Documents: 1. Annual report (Laporan tahunan) 30 April 2010 SBSU First Public Fund (YE 2009) 2. Annual report (Laporan tahunan) 15 May 2010 Dana Al Aiman (YE 2009) 3. Annual report (Laporan tahunan) 15 July 2009 SBSU Syariah Aggressive Fund (YE 2008) 4. Annual report (Laporan tahunan) 15 Feb 2009 KBM-DP (YE 2008) 5. Annual report (Laporan tahunan) 30 Nov 2008 SBSU Balanced Fund (YE 2007) 6. Annual report (Laporan tahunan) 15 March 2008 SBSU Index Fund 7. Islamic Master Prospectus 28 April 2009-27 April 2010 8. Master Prospectus 28 April 2009-27 April 2010 9. Master Prospectus (Islamic & Conventional) 28 April 2010-27 April 2011 Other documents: 10. Fund Fact Sheet as at 30 Nov 2010 11. SBSU Investment press release: 'SBSU akan terus mendekati para pelabur [SBSU continuously getting closer with investors]', 9 Dec 2009

Table 4.5 List of documentations reviewed (continued)

	Organizations	Documents
	SBSU	12. Newspaper article: 'Al-Aiman dapat anugerah Dana Ekuiti Syariah Terbaik' [Al-Aiman awarded the Best Syariah Equity Fund] 17 March 2009, Berita Harian 13. Newspaper article: '2 Dana Baru SBSU' [Two new SBSU funds] ,28 July 2009, Berita Harian 14. SBSU Daily Digest, 22 Dec 2010 15. SBSU Economic Updates, Sept 2010 16. Articles on Unit Trust Investment (http://www.sbsu.com.my/news_promotions/ media/article) 17. Video Gallery- Programs with main media/ TV channels: (i) The Importance of Money Management & Financial Planning, RTM TV2 - Hello On Two, 13 Oct 2011 (ii)"Pelaburan Meningkatkan Ekonomi" (Improving Economy through Investment) RTM TV1 - Biz Malaysia, 14 Nov 2011 (http://www.sbsut.com.my/news_promotions/ media/video_gallery)
4	SSU	Mandatory Documents 1. Manager's annual report (Laporan tahunan pengurus) 28 Feb 2010 2. Manager's annual report (Laporan tahunan pengurus) 28 Feb 2009 3. Manager's annual report (Laporan tahunan pengurus) 28 Feb 2008 4. Prospectus (Prospektus) 27 Aug 2007-26 AugOct 2008 5. Prospectus (Prospektus) 27 Aug 2008-26 Aug 2009 6. Prospectus (Prospektus) 27 Aug 2009-26 Aug 2010

Table 4.5 List of documentations reviewed (continued)

	Organizations	Documents
		Other: 7. SSU website 8. Collection of company's activities photos 9. SSU launching ceremony book
5	The SC Malaysia and SIDC (SIDC is the education arm of the SC Malaysia)	SC Malaysia Publications: 1. Annual report 2009, 2008 and 2007 2. 'Mengenali Unit Amanah: Panduan untuk Pelabur' [Knowing Unit Trust: A Guide for Investor] booklet Public Consultation Paper, No.1/2010 'Review of Sophisticated Investors and Sales Practices for Capital Market Products' (dated 19 March 2010, comments were due on 30 April 2010) 3. Capital Market Development in Malaysia: History and Perspective, Securities Commission of Malaysia (2004), Kuala Lumpur: Perpustakaan Negara Malaysia 4. Capital Market Master Plan: Malaysia, Securities Commission of Malaysia (2001), Kuala Lumpur: Perpustakaan Negara Malaysia Acts and guidelines: 5. Capital Market & Securities Act 2007 (as at 28 Sept 2007) 6. Guidelines on Unit Trust Funds (effective 3 March 2008, Updated 18 Feb 2009) 7. Prospectus Guidelines for Collective Investment Schemes (effective Jan 2008) 8. Guidelines on Marketing and Distribution of Unit Trust Funds (effective 3 March 2008, 4^{th} edition) 9. Guidelines on Advertisements and Promotional Materials (effective 3 March 2008, 4^{th} edition) 10. Guidelines on Online Transactions and Activities in relation to Unit Trusts (effective 24 Nov 2004, Revised 19 August 2008)

Table 4.5 List of documentations reviewed (continued)

	Organizations	Documents
	The SC Malaysia and SIDC (SIDC is the education arm of the SC Malaysia)	Other sources: 11. SC Malaysia website SIDC 12. SIDC's Cash-Smart Programs booklet 13. SIDC Website
6	FIMM	1. Annual report 2009, 2008, 2007 Guidelines: 2. By-Laws relating to the Procedures for Disciplinary Proceedings, 2nd edition, 3 Sept 2007 3. Code of Ethics and Standards of Professional Conduct for the Unit Trust Industry, 1st edition, 1 Sept 2001 4. Guidelines for Registration of Corporate Unit Trust Advisers (CUTA) for the Marketing and Distributions of Unit Trusts, 1st edition, 11 Oct 2007 5. Guidelines for Registration of Institutional Unit Trust Advisers (IUTA) for the Marketing and Distributions of Unit Trusts, 2nd edition, 11 Oct 2007 6. Investment Management Standard 5, 6 & 9 Other documents: 7. UT Today 2010, 2009, 2008 & 2007 8. 2010 IUTA seminar schedule 9. The Retirement Transformation Conference 2010 flyer 10. Brochure investors May 2010-risk disclosure 11. FIMM website

4.5.8 Observation

One of the main purposes of observational data is to describe the setting that was observed, the activities that took place in that setting, the people who participated in those activities, and the meanings of what was observed (Patton, 2002, p. 262). Several advantages of direct observations of a setting are:

i. An inquirer is better able to understand and capture the context within which people interact.
ii. Allows the inquirer to be open, discovery oriented, and inductive, by being on-site the observer has need to rely on prior conception.
iii. The inquirer has the opportunity to see things that may escape awareness among the people in the setting.
iv. The chance to learn things that people would be unwilling to talk about in an interview.
v. Permits the inquirer to draw on personal knowledge during the formal interpretation stage of analysis

(Patton, 2002)

Observational strategies could be differentiated based on the following aspects:

i. The extent to which the observer will be a participant in the setting being studied. The extent of participation is a continuum that varies from complete immersion in the setting (a full participant) to complete separation from the setting (a spectator).
ii. Disclosure of the observers' role to others. This aspect ranges from no disclosure (covert observations) to full disclosure (overt observations). Covert observations have been argued as more likely to capture what is really happening than overt observations as people may behave naturally when they do not think they are being observed. Covert observations, however, have been the subject of debate concerning the ethics and morality of the researchers.
iii. Duration of observations. Length of time to spend to data gathering is another important dimension in observation. Depends on the objective of

the study and the research questions, the observation may involve long term and multiple observations (e.g. months or years) or short and single observation (e.g. one site).

iv. Focus of observations. The scope of the observation can be broad encompassing almost every aspect of the setting or it can be narrow, by observing, for example, some small part of what is happening in the site.

(Patton, 2002)

Observational data was used in this study in order to corroborate evidence from the interviews and documents. After explaining the purpose of the study and granting permission from the site's organiser, observation was undertaken at one education program (one single site) for the period of two days where the researcher was a non-participant observer. The detailed explanation of the observation activities are provided in the following section.

4.5.8.1 Actual Observation

Observation was conducted at 'Minggu Saham Amanah Malaysia 2011' or Malaysia Annual Trust Week 2011. This event was organized by FGU, one of the biggest unit trust players in the industry, from 20- 26 April 2011 in Ipoh, Perak. Observation was conducted at this event after taking into account several factors. First, this event is recognized as a national event and is arguably to be among the biggest and most significant education events in Malaysia. This event has been running since 2000 and has attracted thousands of visitors with various backgrounds in terms of age, race and occupation.

Secondly, besides the organizer and its subsidiary companies, various government institutions including SC Malaysia and the Central Bank of Malaysia, as well as private companies such as insurance companies and banks participated in this event. In addition to the materials displayed or exhibited, various education activities and programs are carried out for visitors throughout the seven days event which involved direct and personal interaction (engagement) between all the event participants with the visitors. These give an excellent opportunity to the researcher to witness and experience how actual engagement processes take place between the unit trust industry and other market participants with the public in this education event that has a potential to enable the industry players to discharge their responsibility beyond the narrow, economic, legal form of responsibility.

The observation was conducted for two of the seven days of the event as (i) data collected from the two-day observation are assumed adequate to be corroborated with evidence from interviews and documentation review, and due to (ii) financial constraints as cost for conducting observation such as accommodation was borne by the researcher from her own funds. Observation was carried out in the main exhibition hall by focusing on the materials display, consultation or advisory services given as well as activities and programs organized for the visitors. The researcher also managed to have informal meetings with the organizing staff and regulators. Observation notes were taken immediately after conducting observations. The detail of observation activities is as depicted in Table 4.6.

Observation was conducted to gain insights on the ways and means financial education was implemented to the public by relating it to the broader responsibility and accountability practices of respective UTMC and industry regulators to the public/ community. This observational approach also allowed the researcher to obtain fuller and richer insights into the data gathered on the social responsibility and accountability relationships by observing the engagement process between the industry participants, regulators and the public.

Table 4.6 Observation activities

Observation session	Sections observed/ persons talked to
Day 1: Morning (before the opening)	The main exhibition hall: - The main area is for FGU, FGUS, FAMB & FNBP - Second level: FGU group of companies (subsidiary companies) - Third level: Government agencies and regulators -Fourth level: Other private companies (e.g. banks and insurance companies) Activity area: Students (primary and secondary schools) and other visitors
Day 1: Afternoon (after the opening)	The main exhibition hall: - The main area is for FGU, FGUS, FAMB & FNBP - Second level: FGU group of companies (subsidiary companies) - Third level: Government agencies and regulators -Fourth level: other private companies (e.g. banks and insurance companies) Activity area: Students (primary and secondary schools) and other visitors **Informal meetings:** FGUS staff 1 FGUS adviser The SC officer
Day 2	The main exhibition hall: - The main area is for FGU, FGUS, FAMB & FNBP - Second level: FGU group of companies (subsidiary companies) - Third level: Government agencies and regulators -Fourth level: other private companies (e.g. banks and insurance companies) Activity area: Students (primary and secondary schools) and other visitors **Informal meetings:** Central bank staff AKPK staff (Central bank agency)

Evidence from observation together with evidence from documentation review was then used to corroborate the interview findings in order to make inferences and draw conclusions. Discussion on how the main findings of the study was evaluated and interpreted against the idealised stakeholder engagement model developed in Chapter 3 is provided in the next section.

4.5.9 Evaluating and Interpreting Evidence against the Theoretical Framework

The evaluation of the case organisations' stakeholder engagement involved two stages of analysis. The first stage involved assessment of the case organisations' CSR and accountability practices against a number of criteria. Based on the evidence, the CSR activities were then classified as authentic, strategic and/or symbolic (see Table 4.7), while accountability mechanisms were then categorised as formal, holistic, non-dialogic or dialogic (see Table 4.8). In the next stage of analysis, the findings/results from the first stage were mapped out on the stakeholder engagement model so that quadrant(s) or category/categories that align with or reflect the criteria of these practices can be identified (see Figure 4.2).

The evaluation of the CSR activities involved the assessment of the elements such as motivations, intentions, mechanisms, practices and the targeted (implied) groups of stakeholders in order to determine whether these criteria are authentic and/or strategic/symbolic. Symbolic and strategic CSR were combined in one category in this study based on the suggestion in the literature review that the criteria of symbolic CSR do not differ significantly from the criteria of strategic CSR.

The underlying motivations of education activities that were primarily undertaken to benefit the public and investors by equipping them with appropriate financial knowledge and skills were regarded as authentic. Meanwhile, motivations and/or intentions were regarded as symbolically or strategically-driven if the education program was mainly undertaken to improve the bottom line of the case organisations.

CSR mechanisms and practices that had the potential to manifest the authentic motivation(s) or intention(s) of the cases organisation were classified as authentic. As shown in Table 4.7, a series of different education activities such as an investment club and quiz was employed by this case organisation to bring about positive, significant changes to the stakeholders as part of its long-term initiative to help the nation build a financially–literate and financially-savvy society. Meanwhile, the mechanisms and practices that were used merely to fulfil financially-driven objectives and/or benefits for the case organisation rather than the stakeholders were categorised as strategic/symbolic.

For the final criteria, if the CSR activity could be accessed and/or benefit a broad range of stakeholders it was classified as authentic in contrast to a CSR activity that was undertaken for specific groups of powerful stakeholders. If there was more evidence suggesting that these elements were authentic than strategic and/or symbolic, then the CSR initiative was classified as authentic and vice versa.

Examples of the evidence relating to the criteria used to assess the elements of the voluntary financial education program of one case organisation are shown in Table 4.7. For example, for the first element there was evidence suggesting the motivation of this particular case organisation in undertaking the voluntary financial education was authentic as it was due to its felt, social responsibility. On the other hand, there was evidence suggesting that the CSR activity was undertaken for strategic/symbolic purposes as the case organisation saw the CSR activity as part of its profit-making efforts.

Table 4.7 Examples of evidence relating to categorisation of CSR initiatives

Element	Authentic	Strategic/ Symbolic
Motivation	(6 sources: four interview statements, one statement from FGU article, one statement from FGU annual report) Example: *"In this context...the role that we play in education ....Inculcating the savings habit and knowledge of investment in the young is a critical part of country's aspiration to become a prosperous and dynamic society." (source: 2008 Annual Report)*	(2 sources: one interview statement and one statement from transcript of FGU CEO speech) Example: *"It [the education initiative] is quite significant to us because of we...social part where we giving to the public because you have to know like what I have said just now entrepreneurship. It goes back to the profitability [of] the business, the sustainability of the business."* *(source: Interview statement)*
Intention	(1 source: interview statement) Example: *"[It is] because we want to educate the Malaysians [not because of competition]."* *(source: Interview statement)*	-

Table 4.7: Examples of evidence relating to categorisation of CSR initiatives (continued)

Element	Authentic	Strategic/ Symbolic
Mechanism-process	(3 sources: one statement in FGU article and two statements from FGU annual report) Example: *"For older children such as those in the secondary schools, FGU has also set up the FGU Smart Investment Club in 2002, which aims to expose members to financial planning and investments, as well as to engender in them the principles of prudence and thrift as marks of the new generation of Malaysians." (source: Article)*	**-**
Mechanism-tool	(1 source: statement from FGU annual report) Example: *"Investment quiz is another FGU's investment education programs organized annually." (source: Annual report)*	**-**

Table 4.7: Examples of evidence relating to categorisation of CSR initiatives (continued)

Element	Authentic	Strategic/ Symbolic
Practice	(1 source: statement from FGU annual report) Example: *"Education remained as the main thrust of PNB CSR programs. In general, these educational programs are designed and targeted to cater specific groups, such as the general public, university students, secondary schools students and primary school students." (source: Annual report)*	-
Stakeholder group targeted	(2 sources: one statement from FGU article, one statement from FGU annual report) Example: "*Thus it is important to educate the nation at all levels from kindergarten-children to pensioners." (source: Article)*	-

For the accountability mechanisms, the content of the accounts/reports were content analysed based on several criteria. The criteria used to determine the category/status of a report or document are shown in Table 4.8. These criteria consisted of the reports' contents, nature of information, targeted (implied) stakeholders and engagement or involvement of stakeholders in the process of preparing the reports (e.g., the CSR report). Based on the evidence relating to these criteria, the accounts/reports were then classified as formal, holistic, non-dialogic or dialogic. The interviews data was also used to corroborate data from the documents particularly to identify factors that affect the provision of voluntary/additional information in the mandated and/or voluntary reports or documents.

Reports or documents were classified as formal and non-dialogic if the contents of the reports were limited to what was required by the relevant guidelines or legislation. In these documents, the majority of the information provided was mandated financial information that was prepared for relatively economically powerful stakeholders such as the existing and potential unit holders, without any explanation of whether or how the stakeholders' voices were considered or engaged in the report.

Reports that were prepared for a broader range of stakeholders and that covered broader issues such as social and environmental issues but lacked information that critically assessed the case organisation's activities (Schweiker, 1993) and provided no accounts to explain whether or how the stakeholders' voices were considered or engaged in the report (Lehman, 1999, Thomson and Bebbington, 2005) were classified as holistic, non-dialogic reports.

For reports that presented and discussed financial, social and environment issues critically (by providing critical discussions on both negative and positive aspects of business activities) with both mandated and voluntary types of information to a broader range of stakeholders and also provided space for the stakeholders' voices to be heard or expressed were considered as holistic reports that have a dialogic potential (Lehman, 1999, Thomson and Bebbington, 2005).

Examples of evidence relating to the four criteria used to assess three reports/documents of one case organisation are shown in Table 4.8. The fund reports, for example, were classified as formal, non-dialogic documents because the content of the reports was limited to what was required by Unit Trust Fund Reporting Requirements with mainly financial information that was of interest to the existing and potential unit trust holders and no accounts explaining whether or how the stakeholders' voices were considered or engaged.

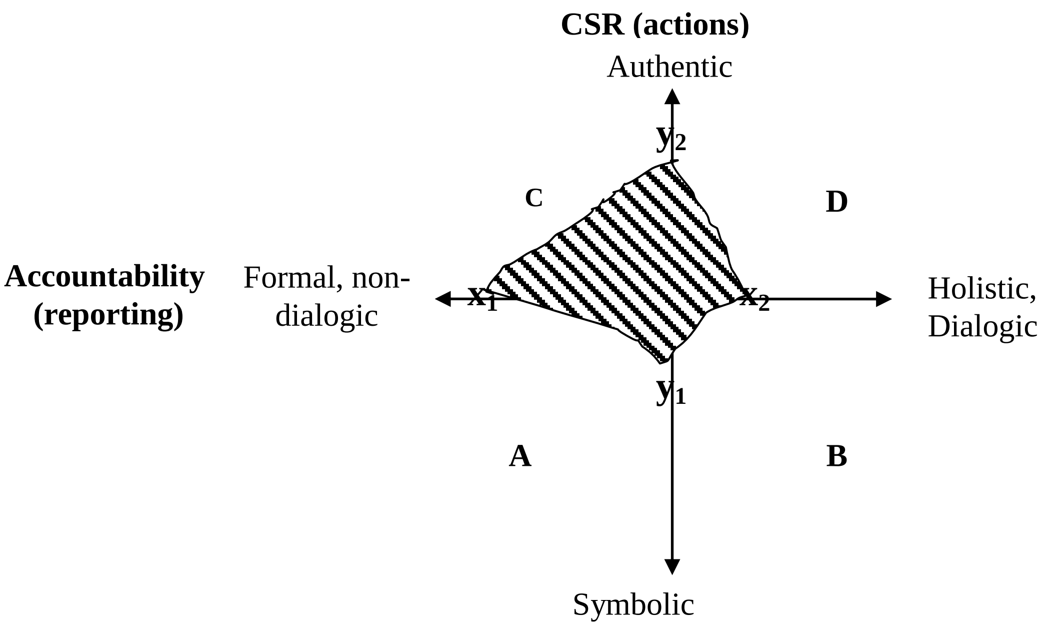
Table 4.8 Examples of evidence relating to categorisation of accountability mechanisms

Criteria	**Report/Document**		
	Fund prospectus	Fund report	CSR report
Content	Limited to what is required by Prospectus Guidelines for Collective Investment Schemes with no additional/voluntary information	Limited to what is required by Unit Trust Fund Reporting Requirements: fund performance, manager's report, trustee's report, auditor's report and financial statements with very little additional/voluntary information	Focus on social responsibility programs, activity and events
Nature of Information	Mandated/required information particularly financial information	Mandated/required information with mainly financial information	Voluntary, non-financial information (social aspects), all positive and non-critical information
Targeted (Implied) Stakeholders	Existing and potential unit trust holders	Existing and potential unit trust holders	Members of public, potential unit holders and existing unit holders
Engaging Stakeholders in Reports	-	-	No accounts explaining whether or how the stakeholders' voices were considered/engaged
Category/ Status	Formal, non-dialogic	Formal, non-dialogic	Holistic, non-dialogic

As explained earlier in relation to stage two of the analysis, the findings/results from the first stage were mapped out on the stakeholder engagement model so that the quadrants or category(ies) that align with or reflect the criteria of these practices can be identified (see Figure 4.2). The mapping out of the shaded area on the model was undertaken by considering the categorisations of a range of CSR practices and accountability mechanisms evaluated in stage one of the analysis. If, for example, an organisation's fund report is formal and non-dialogic, it is marked on the left side of the x-axis. Meanwhile, CSR initiatives that are categorised as authentic are marked on the upper side of the y-axis. Four marks or points are made, represented by x_1, x_2, y_1 and y_2. The first two marks, x_1 and x_2, represent mandated reports/documents and CSR reports, while the next two marks, y_1 and y_2, represent CSR activities. The shaded area for one of the case organisations, FGU, was identified based on these four marks/points. Since another four case organisations did not issue any voluntary/CSR reports, the shaded area was mapped out based on three marks/points only (x, y_1 and y_2).

Given the range of the case organisations' CSR and accountability practices and due to the messiness and complexity of these practices, there can be more than one quadrant that represents or explains the category of the case organisation's engagement initiative. The dominant/prime quadrant for a case organisation is the quadrant that has the largest shaded area (much more evidence falling within or aligning with the quadrant). As can be seen in Figure 4.2, the evidence for this particular case organisation aligns with all the four quadrants/categories with more evidence aligning with Quadrant C. The status or category of the case organisation's stakeholder engagement was then interpreted and explained based on the identified quadrants.

Figure 4.2 Example to evaluate an organisation's stakeholder engagement activities



$\mathbf{x_1}$ = Mandated reports/documents, $\mathbf{x_2}$ = CSR reports

$\mathbf{y_1}$, $\mathbf{y_2}$ = CSR initiatives

4.6 Summary and Conclusion

In this chapter, a discussion of the research philosophy adopted and a description on the research methods of data collection and analysis employed in the study were explored. With regards to research paradigm, this study subscribed to an interpretive paradigm as a mean to generate knowledge.

The investigation undertaken is both theoretically and empirically grounded, which leads to a conceptual model that can be used to understand the inter-connectivity of CSR and accountability practices undertaken by the case organisations. As this study recognises that responsibility and accountability is subjectively constructed and changes with contexts (Sinclair, 1995, Gray et al., 1987) the investigations of the study were designed to recognize many different ways in which CSR and accountability may be experienced and understood within the organizations.

Data used in this study was gathered mainly from semi-structured interviews held with the industry participants and regulators, documentation review, and direct observation in order to explore the often complex relationship between CSR practices and accountability practices. In addition, this chapter also justified four reasons why Malaysia and its unit trust industry was chosen as the research context. This chapter also provides explanation and discussion over the processes and the findings of the two preliminary studies and the research setting.

Before continuing with analysis and discussion on the empirical findings in Chapter 6, 7 and 8, the following chapter provides discussion of the history, economy, social and politic contexts of the study.

CHAPTER 5: CULTURAL, ECONOMIC AND REGULATORY ENVIRONMENT OF MALAYSIA, AND THE MALAYSIAN UNIT TRUST INDUSTRY

5.1 Introduction

This chapter provides a general overview of the culture, economy and regulatory environment in Malaysia, followed by a detailed discussion of the unit trust industry framework. The previous chapters discussed the significance and importance of this study's examination of Malaysian companies based on the gaps identified in the literature (Chapters 2 and 3). The main objective of this chapter is to justify the study's particular focus on the CSR and accountability practices among the unit trust industry players in Malaysia. This discussion is founded on an understanding of the Malaysian population, the country's economic condition, the industry's general performance, and the relevant regulatory bodies.

An understanding of the population of Malaysia, the national language, culture, ethnicity, economic conditions and the regulatory bodies involved in monitoring the Malaysian capital market (especially the unit trust industry) is important for rationalising the empirical findings presented in the later chapters. Accordingly, Section 5.2 provides a brief introduction to Malaysia. Details of the economic conditions, capital market, and overall indicators are then reported in Section 5.3. Section 5.4 discusses the regulatory bodies responsible for governing and monitoring capital market activities in Malaysia, and Section 5.5 explains the historical development of the unit trust industry in Malaysia as well as its framework and general performance. These are factors which could be expected to have an effect on the behaviour of management and the personnel responsible, for example, for deciding to undertake financial literacy initiatives. Finally, Section 5.6 summarises and concludes the chapter.

5.2 General Introduction to Malaysia

According to the 2010 Population and Housing Census of Malaysia undertaken by the Malaysian Department of Statistics, the total population of Malaysia was 28.3 million in 2010, of which 91.8% were Malaysian citizens and 8.2% were non-citizens. Malaysian citizens belong to the following ethnic groups: *Bumiputera* (67.4%), Chinese (24.6%), Indian (7.3%), and others (0.7%). Malay is the predominant ethnic group in Peninsular Malaysia (63.1% in 2010). While Malaysia's population is multi-ethnic, multi-religious and multi-cultural, Islam is the most widely professed religion (61.3% in 2010).

The national language of Malaysia is Malay but many people in Malaysia speak other first and second languages such as Mandarin, Chinese dialects, Tamil, and various other dialects. For business purposes, however, English is widely used. In general, Malaysian companies publish two versions of their annual reports: one version is written in Malay and the other version is written in English. Annual reports of unit trust funds can be prepared either in Malay or English.

5.3 Malaysian Economic Conditions

Malaysia obtained its independence from the United Kingdom on 31 August 1957. As a developing country, and after 55 years of independence, its economic performance is considered satisfactory. Table 5.1 summarises Malaysia's position in relation to economic and capital market indicators. The economic indicators include gross domestic product (GDP) growth and gross national income (GNI) per capita, while the capital market indicators include the Bursa Malaysia (formerly known as Kuala Lumpur Stock Exchange (KLSE)) capitalisation of the Main Board, Second Board and Malaysian Exchange of Securities Dealing and Automated Quotation (MESDAQ), and the end-of-period Bursa Malaysia/ KLSE Composite Index.

Table 5.1 Economic conditions and capital market of Malaysia (2000 to 2011)

Year	Economic Indicator[17]		Capital Market Indicators			
			End of period Bursa Malaysia/ KLSE Composite Index	Market Capitalisation[18]		
	Real GDP growth	GNI per capita		Main Board/ Main Market	Second Board	MESDAQ/ [19]ACE Market
2000	8.3%	4.6%	679.6	423.9	20.5	-
2001	0.4%	-3.5%	696.1	444.3	20.7	-
2002	4.4%	6.4%	646.3	464.5	16.4	0.8
2003	5.4%	7.8%	743.3	553.9	22.0	3.1
2004	7.1%	11.7%	907.43	692.6	21.3	6.7
2005	5.3%	8.4%	899.79	671.6	15.1	7.8
2006	5.8%	9.9%	1,096.24	818.8	15.2	7.8
2007	6.3%	10.7%	1,445.03	1073.1	15.4	11.1
2008	4.6%	11.6%	876.75	641.6	8.9	5.3
2009	-1.7%	-7.3%	1,274.78	984.9	-	5.3
2010	7.2%	9.7%	1,360.92	1079.1	-	4.8
2011	5.1%	10.3%	1,548.81[20]	1,323.4	-	6.4

Sources: (i) Malaysia Economic Reports 2000/2001; 2001/2002; 2002/2003; 2003/2004; 2004/2005; 2005/2006; 2006/2007; 2007/2008; 2008/2009; 2009/2010; 2010/2011; 2011/2012; 2012/2013 issued by Malaysian Ministry Of Finance and available at http://www.treasury.gov.my (ii) Malaysian Department of Statistics.

[17] Indicators for 2000 to 2009 are based on constant prices in 2000, while indicators for 2010 and 2011 are based on constant prices in 2005.
[18] Effective from 3 August 2009, the Main Board and Second Board were merged into a single board known as the Main Market.
[19] Effective from 6 July 2009, the ACE Market replaced MESDAQ.
[20] As at 31 July 2011.

The Malaysian economy suffered from the Asian financial crisis in 1998. However, from 2000, Malaysia was in a period of recovery. As shown in Table 5.1 above, the real GDP growth figures for 2000 to 2007 were quite promising with positive growth. Unfortunately, as the Malaysian economy was on its way to recovery it was again adversely hit by the 2008 global financial crisis. The impact of the latest crisis on the Malaysian economy was obvious in the following year, when the growth of the real GDP in 2009 plummeted to negative 1.7%. The growth of the real GDP in the following years, however, rose quite significantly to record positive figures due to the aggressive efforts by the Malaysian Government mainly through the implementation of macroeconomic policy initiatives, which spurred higher consumption activity and recovery in private investment.

From 2000 to 2002, the end-of-period Bursa Malaysia/ KLSE Composite Index was below 700, but starting in 2003 and until 2007 the index increased by 30% to 50%. However, due to the world financial crisis in 2008, the index declined sharply to just 876.75 or 39.3% as compared to the 2007 point. It increased again in 2009 to above 1000 with the same positive pattern recorded in 2010 and 2011.

5.4 Regulatory Bodies

Malaysia follows common law as the basis for its legal system. In addition, in order to ensure that the capital market in Malaysia can protect investor confidence and to safeguard the stability of the whole system, a comprehensive and clearly defined regulatory framework has been set up, as illustrated in Figure 5.1. Moreover, five main pieces of legislation have been put in place to govern the capital market, namely, the Securities Commission Act 1993, the Securities Industry Act 1983, the Securities Industry (Central Depositories) Act 1991, the Futures Industry Act 1993, and the Companies Act 1965.

5.4.1 Securities Commission Malaysia

The Securities Commission Malaysia (SC Malaysia) is the central authority responsible for the regulation and development of the securities and futures industry in Malaysia. The SC Malaysia was founded as a result of the Malaysian Government's efforts to streamline the regulatory structure of the capital market under the Securities Act 1993 on 1 March 1993 as a self-funding statutory body with investigative and enforcement power.

The regulatory functions of the SC Malaysia include (Securities Commission Malaysia, 2004, p. 261):

i. Regulating all matters relating to securities and futures contracts
ii. Ensuring that the provisions of the securities laws are complied with
iii. Regulating the takeovers and mergers of companies
iv. Regulating matters relating to unit trust schemes
v. Licensing and supervising all licensed persons
vi. Ensuring proper conduct among the members of market institutions and licensed persons.

Apart from the above regulatory duties, the SC Malaysia also advises the Minister of Finance on all matters relating to the securities and futures industries, encourages self-regulation, promotes the development of the securities and futures markets in Malaysia, and ensures investor protection. It reports to the Minister of Finance and tables its accounts to the Malaysian Parliament annually (Securities Commission Malaysia, 2004).

5.4.2 Bank Negara (Central Bank)

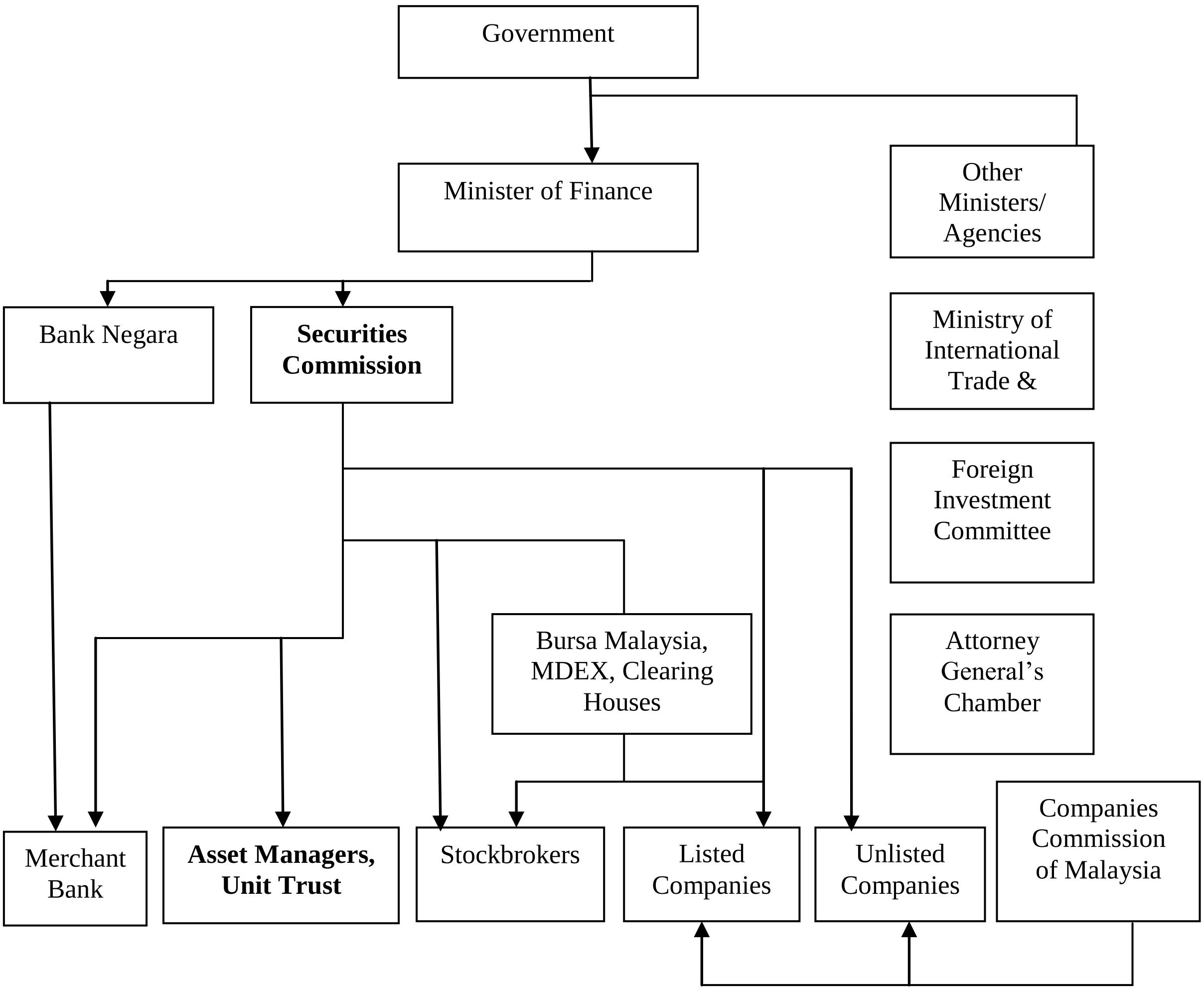
Bank Negara Malaysia was established on 26 January 1959 under the Central Bank of Malaysia Act 1958 which was later replaced by the Central Bank of Malaysia Act 2009. It is a statutory body owned by the Government of Malaysia. The bank reports to the Minister of Finance and keeps the Minister informed about matters pertaining to monetary and financial sector policies (Bank Negara Malaysia, 2011).

The role of Bank Negara includes:

i. Ensuring the prudent conduct of monetary policy
ii. Bringing about financial system stability
iii. Developing financial system infrastructure
iv. Promoting financial inclusion.

Apart from those responsibilities, the bank is also a banker and adviser to the government, playing an active role in advising on macroeconomic policies and managing the public debt (Bank Negara Malaysia, 2011).

Figure 5.1 Malaysia's capital market institutional framework



Source: Adapted from Securities Commission Malaysia (2004, p. 261).

5.5 Unit Trust Industry in Malaysia

According to the Federation of Investment Managers Malaysia (FIMM), unit trusts are a form of collective investment that allow investors with similar investment objectives to pool their funds to be invested in a portfolio of securities or other assets. The invested funds are managed by a professional fund manager. Unit holders do not purchase securities in the portfolio directly. Ownership of the fund is divided into units of entitlements. As the funds increase or decrease in value, the value of each unit increases or decreases accordingly. The return on investment of unit holders is usually in the form of income distribution and capital appreciation, derived from the pool of assets supporting the unit trust funds.

The unit trust concept is relatively new in Malaysia compared to its Asian neighbours. It started in 1959 when a unit trust fund was first established by the British. The period from 1991 to 1996 witnessed the fastest growth of this industry in terms of the number of new management companies established and the amount of funds under management (FIMM, n.d). Unit trust funds (UTF) can be classified into four categories, namely, equity UTF, property UTF, balanced/diversified UTF and specialty UTF. In regard to sponsorship or ownership, UTF can be categorised as either government-sponsored funds or private-sponsored funds. UTF can also be classified into conventional UTF and Islamic UTF.

5.5.1 Capital Formation and Domestic Household Savings

The process of capital formation, which involves the accumulation and subsequent investment of domestic savings to generate productive economic activities, is important to any economy and Malaysia is no exception (PNB, 2001, p. 36). The 1997/1998 Asian economic and financial crisis, as well as the 2007/2008 world financial crisis, provided sufficient evidence of the importance of high domestic savings in helping Malaysia recover from the crisis (PNB, 2001). Therefore, it provides a strong justification for the Malaysian Government’s serious and continuous efforts to mobilise household savings into the capital market.

5.5.2 Collective Investment Industry in Malaysia

Collective investment schemes refer to vehicles which are used to raise funds, and which do not guarantee the return of the invested capital. Investments in collective investment schemes are therefore subject to the risk that the promoters of the schemes are unable to deliver any promised rate of return. Collective investment schemes offer professionally managed funds that are typically invested in securities or commercial properties. Examples of collective investment schemes include trust vehicles such as unit trusts and unit investment trusts, investment companies such as mutual funds or open-end investment companies (OEIC), and closed-end funds (PNB, 2001, p. 30).

The SC Malaysia (2010b) views collective investment schemes as a vital segment of the Malaysian financial services industry. Collective investment schemes allow small investors to pool their money together and participate in opportunities that they would otherwise not be able to access; this achieves diversification in the capital market with the benefit of professional investment skills (Secuties Commission Malaysia, 2010b). Malaysia's collective investment scheme industry, which is comprised of unit trusts, wholesale funds, real estate investment trusts, exchange traded funds and closed-ended funds, grew steadily from RM213.39 in 2009 to RM257.81 in 2010 (Secuties Commission Malaysia, 2011a) with unit trusts continuing to be the largest component of the industry.

5.5.3 Historical Development of the Malaysian Unit Trust Industry

5.5.3.1 Development in the 1960s and 1970s

The first Malaysian unit trust was launched by the British in 1959. Seven years later, the first local unit trust was launched by Asia Unit Trust. In 1968, ASM Mara Unit Trust, a subsidiary of MARA Berhad, a government statutory agency, launched its first unit trust. In response to ethnic clashes in 1969, the Malaysian Government introduced the New Economic Policy (NEP) in 1970 with the aim of eradicating poverty among all Malaysians through restructuring society economically as well as geographically. Three years later, the Securities Industry Act 1973 was enacted and this was followed by the establishment of the Informal Committee on Unit Trust Funds and the first Guidelines on Unit Trust Funds in 1975.

Following the failure to increase *Bumiputera* corporate ownership as targeted in the NEP, the government incorporated the Yayasan Pelaburan Bumiputera (YPB) (*Bumiputera* Investment Fund) in January 1978 with the primary objective to formulate the policies and the guidelines for equity investments with the objective to increase *Bumiputera* ownership in the corporate sector (Saruwatari, 1991). Three months later, with the main function of evaluating, selecting and acquiring a sound portfolio of shares in limited companies with good potential to be held in trust for subsequent sale to *Bumiputera*, the YPB established the Permodalan Nasional Berhad (PNB) (National Equity Corporation) to operate as a fund management company.

The 1970s also witnessed the emergence of government-sponsored unit trusts at the state level. These trusts were launched in response to the Federal Government's call to mobilise domestic household savings (Yahaya et al., 2009; Md Saad et al., 2010). The first state government-sponsored unit trust, called the Kumpulan Modal Bumiputera Pahang, was launched on 20 June 1974. The fund manager, Pengurusan KUMIPA Berhad, was a wholly-owned subsidiary of Amanah Saham Pahang Berhad, a company owned by the Malaysian state of Pahang.

5.5.3.2 Growth in the 1980s

The 1980s witnessed significant development in the history of the Malaysian unit trust industry with the launch of the Sekim Amanah Saham Nasional (ASN), a fund managed by the PNB, on 20 April 1981. The launch of the ASN provided momentum for new growth in the industry (Taib and Isa, 2007). It was a runaway success for the government as it enabled the government to realise its objective to mobilise the savings of the *Bumiputera* from all walks of life in the long-term. The 1980s also witnessed the emergence of unit trust management companies, which were subsidiaries of financial institutions (Md Saad et al., 2010) such as the Kuala Lumpur Mutual Fund Berhad, which is now known as Public Mutual Berhad, a subsidiary of Public Bank Berhad. The entry of bank-affiliated unit trust management companies marked an important development in the industry, as their participation facilitated the marketing and distribution of unit trusts through the banks' branch networks and thus widened investor reach (PNB, 2001, Md Saad et al., 2010).

5.5.3.3 Ups and Downs of the 1990s

The 1990s proved to be an exciting as well as challenging period for the industry. New growth in the industry boomed in the early 1990s fuelled by the country's economic recovery from the 1985 to 1989 recession, rising consumer affluence, and increased per capita income. The booming stock market powered by a surge in international portfolio liquidity provided additional impetus for growth in the industry until the onset of the 1997/1998 Asian crisis (Taib and Isa, 2007). The vibrant market conditions and strong regulatory environment witnessed an explosion of new fund launches and the entry of many new unit trust management companies (PNB, 2001).

The establishment of the SC Malaysia provides new momentum and focus for the industry, helping to streamline and enhance the fragmented regulatory framework of the unit trust industry. The establishment of the SC Malaysia resulted in greater cohesion in the regulation of the domestic unit trust industry. The Informal Committee on Unit Trust Funds (replaced in 1991 by the Capital Issues Committee) was in operation to provide better co-ordination of the approval process for the setting up of unit trust schemes; however, the regulatory framework for the unit trust industry up to the early years of the existence of the SC Malaysia was fragmented, with different government authorities responsible for different segments of industry (Secuties Commission Malaysia, 2004, p. 78). At the inception of the SC Malaysia, overall sentiment in the industry was very positive. The significant gains in equity prices saw unit trust funds, which were primarily equity-based at that time, making record unit sales. The net asset value (NAV) of funds grew by nearly 80% in 1993 alone, to RM28 billion (Secuties Commission Malaysia, 2004, p. 78).

The efforts made by the SC Malaysia to modernise the regulatory framework for unit trusts and develop the industry were also supported by private sector initiatives. For example, the Federation of Investment Managers Malaysia (FIMM) (formerly known as the Federation of Malaysia Unit Trust Managers) was established in August 1993 and sought to improve the business environment for unit trusts, and formulate sound and ethical business practices to promote the interests and general development of the unit trust industry (Secuties Commission Malaysia, 2004, p. 78). However, the industry continued to suffer several structural setbacks. The rapid growth was not supported by growth and development in the number of qualified industry professionals, unit trust administrators, and sales and marketing personnel. Investor education on unit trust investing was similarly lacking, particularly in the early 1990s (PNB, 2001).

The 1990s was also marked by the entry of new state government-sponsored unit trusts (Yahaya et al., 2009). By 31 October 1999 there were seven state government-sponsored unit trusts in operation. The period of 1993-1994 saw the launch of a number of such state-sponsored unit trust schemes, which were positively received by the public. The steady growth of the unit trust industry and the success of government-sponsored unit trust schemes prompted a number of state government-related entities to launch their own unit trust schemes. These schemes sought to replicate the success of funds managed by the PNB, such as the ASN and Skim Amanah Saham Bumiputera (ASB) unit trust schemes.

The introduction of state funds brought a number of apparent benefits, particularly to the *Bumiputera* community. Through state funds, combined with other *Bumiputera* funds, the level of *Bumiputera* equity holding increased substantially in line with broader national policies. Importantly, state funds also contributed towards increasing the level of awareness among *Bumiputera* of unit trusts and stock market investment. Another benefit was the creation of a *Bumiputera* pool of talent in fund management and fund administration (PNB, 2001).

Nonetheless, the state-sponsored unit trust schemes also demonstrated a number of limitations. In contrast to private sector unit trust funds, which tended to be backed by established financial institutions or run by professional fund managers, many of the state funds lacked the resources necessary to run such funds, such as skilled personnel (Secuties Commission Malaysia, 2004, p. 79). The price of these limitations was very high as some of the state-sponsored unit trust schemes could not survive, leaving only a few including SSU company one of the case organisations.

In summary, the Malaysian unit trust industry evolved in the 1990s to meet the demands of the broad spectrum of investors, who were willing to experiment with new investment opportunities. Unit trusts gained acceptance as an alternative investment avenue for long-term savings and even retirement planning. Increasing awareness among unit trust providers to educate investors on various aspects of unit trust investments and to better manage of investors' expectations became a prominent feature in the late 1990s and 2000s (PNB, 2001).

5.5.3.4 Excellent growth record in the 2000s

More banks joined the ranks of UTMC and by the end of 2000 many of the major banks in Malaysia were already participating in the industry. The next section discusses the development and achievements of the industry during the 2000s.

5.5.4 Role of Unit Trust Industry in Mobilising and Managing Voluntary Household Savings

In the Malaysian context, the unit trust scheme has played a significant role in mobilising and managing voluntary household savings as part of the process of capital formation (Secuties Commission Malaysia, 2010b, 2011a). With two broad categories of fund, namely, conventional funds and Islamic funds, the unit trust is recognised as a vital vehicle for such purposes.

This significant achievement is reflected in the growth in size of the total funds managed and the contribution of the unit trust industry relative to the market capitalisation of the Bursa Malaysia (Securities Commission Malaysia, 2011b). As shown in Table 5.2, within the period from 2004 to 2011, the net asset value of the industry grew from 12.10 percent to 19.42 percent of Bursa Malaysia market capitalisation. Moreover, the number of funds has doubled from 273 funds in 2004 to 587 funds in 2011, with both categories of fund recording more or less similar patterns.

Table 5.2 Malaysian unit trust statistics from 2004[21] to 2011

Year	**Number of Launched Funds**			**Total NAV of Funds (RM billion)**			**% of NAV to Bursa Malaysia Capitali-sation**
	Conventio-nal	Islamic	Total	Conventio-nal	Islamic	Total	
2004	208	65	273	80.624	9.761	87.385	12.10
2005	244	79	323	89.998	8.487	98.485	14.17
2006	295	92	387	112.309	9.101	121.410	14.31
2007	360	124	484	151.244	16.785	168.029	15.19
2008	392	140	532	114.318	16.118	130.436	19.65
2009	415	150	565	169.626	22.080	191.706	19.18
2010	412	152	564	202.768	24.044	226.812	17.79
2011	423	164	587	221.559	27.860	294.859	19.42

Source: The SC Malaysia unit trust's summary of statistics at http://www.sc.com.my

This development also suggests the importance of unit trusts in institutionalising private retail savings, playing a strategic role in facilitating the long-term growth and development of the capital market. More importantly, the institutionalisation of these savings can to some degree cushion the domestic stock market from the extreme volatility emanating from short-term capital movements and speculative retail transactions (PNB, 2001).

[21] The unit trust industry statistics are provided from 2004 onwards and are effective from January 2009; the statistics do not include the figures for wholesale funds.

5.5.5 Malaysian Unit Trust Industry and the New Economic Policy

5.5.5.1 New Economic Policy

After the 1969 ethnic riot, the Malaysian Government introduced the New Economic Policy as an integral component of the Second Malaysia Plan (Saruwatari, 1991), with the aim to achieve national unity, stability and long-term economic prosperity (Abdul Aziz, 2012). The NEP was designed to rectify the economic imbalances existing among Malaysia's ethnic communities, namely, the *Bumiputera* and non-*Bumiputera*. These imbalances were attributed largely to historical factors such as the impact of political and administrative systems in the period before independence, and the socio-economic circumstances of a multi-racial society (PNB, 2001, p. 52). The objective of the NEP was to be achieved through a two-pronged strategy (Saruwatari, 1991, Abdul Aziz, 2012):

(a) A restructure of Malaysian society to reduce and eventually eliminate the identification of race with economic functions and geographical locations; this was linked to the promotion of national unity

(b) The eradication of poverty among all Malaysians.

At the time the NEP was launched, *Bumiputera* corporate ownership stood at only 2.4 percent (Abdul Aziz, 2012) as compared to 34.3 percent for non-*Bumiputera* and 63.3 percent for foreigners. In order to correct the economic imbalance in the distribution of the country's economic wealth, the NEP set a target allocation whereby, within twenty years after its implementation (by 1990) (Abdul Aziz, 2012; Saruwatari, 1991), 30 percent of the country's economic wealth would be owned by *Bumiputera*, 40 percent by non-*Bumiputera*, and the remaining 30 percent by foreigners (Saruwatari, 1991). As an integral part of its implementation strategy and to encourage the increased participation of *Bumiputera* in all economic activities, the government established a number of corporations or trust agencies and purchased shares in various enterprises. The initiatives were undertaken with the intention that these shares would be held in trust and transferred to the *Bumiputera* at an appropriate time (PNB, 2001).

Despite various measures put in place by the government, by 1990, the economic redistribution targets set under the NEP had not been met. Although *Bumiputera* ownership in the corporate sector had recorded a considerable increase, the stake was still considered low compared to the achievement level of the non-*Bumiputera*. A new model was therefore developed in order to achieve the NEP targets, and, in January 1978, the government established Yayasan Pelaburan Bumiputera or *Bumiputera* Investment Fund (YPB) for the purpose of buying shares allotted to the *Bumiputera* for whom the shares would be held in trust. The implementation and purpose of this new investment model, and its relation to the unit trust scheme industry, are discussed in detail in the following section.

5.5.5.2 Establishment of Yayasan Pelaburan Bumiputera, Permodalan Nasional Berhad and Amanah Saham Nasional Berhad

Although the implementation of the NEP resulted in a commendable increase in the level of corporate ownership among the *Bumiputera*, the level achieved in comparison to the success of the non-*Bumiputera* was still considered low. A number of barriers were faced by the government in the full attainment of the NEP goals. Firstly, there was a low savings rate among the *Bumiputera* whose incomes tended to be low. Secondly, the government's policy of transferring shares to individual *Bumiputera* failed to fully materialise as individual *Bumiputera* were unable or unprepared to buy the shares allotted to them. Further, a large number of *Bumiputera* individuals who acquired these shares subsequently disposed of the shares for short-term capital gains, thereby compounding the challenge faced by the government to ensure that the allocated shares continued to be retained by the *Bumiputera* (Saruwatari, 1991). These problems hampered not only the government's efforts to enhance the *Bumiputera* equity ownership in the corporate sector and achieve the NEP's 30% target, but also thwarted its objective that the benefits would be enjoyed by the majority of the *Bumiputera* (PNB, 2001).

Arising from these difficulties and the realisation of the need to rapidly increase the level of *Bumiputera* savings, the government established a number of trustee agencies designed to subscribe to the shares of the private companies and to hold these shares in trust for the *Bumiputera*. This led, as mentioned earlier, to the formation of the YPB in January 1978. On top of its primary objective to formulate the policies and guidelines for equity investments with the objective to increase the *Bumiputera* participation in the corporate sector (Saruwatari, 1991), the YPB was also to provide funds for the purpose of subscribing to the shares of these companies.

In an effort to realise its objectives, the YPB established Permodalan Nasional Berhad (PNB) in March 1978. As explained above, the main function of PNB was to evaluate, select and acquire shares in limited companies with good potential to be held in trust for subsequent sale to the *Bumiputera*. Conceived as a pivotal instrument of the government's policy to promote corporate sector share ownership among the *Bumiputera* (Saruwatari, 1991), PNB also played a role in developing opportunities for suitable *Bumiputera* professionals to participate in the creation and management of wealth (Secuties Commission Malaysia, 2004, p. 15).

Through PNB, substantial shares were acquired in major Malaysian corporations from funds provided by YPB and were transferred to a trust fund and sold to *Bumiputera* in the form of smaller units. By employing this innovative investment model, PNB ensured that these shares were retained, resulting in the cultivation of a widespread habit of saving (Bashir and Wan Nawang, 2011) and the development of entrepreneurship and investment skills among the *Bumiputer*a. Importantly, it also resulted in the greater democratisation of investments in the capital market in Malaysia with both rural and urban *Bumiputera* populaces participating in corporate Malaysia through PNB (Secuties Commission Malaysia, 2004, p. 15). In May 1979, Amanah Saham Nasional Berhad (ASNB) was subsequently established as a wholly-owned subsidiary of PNB (Bashir and Wan Nawang, 2011). The primary objective of ASNB was to mobilise the savings of the individual *Bumiputera* (Md Saad et al., 2010) through the marketing and selling of the national unit trust to *Bumiputera* individuals. In addition, ASNB was responsible for educating the *Bumiputera* about the benefits of investing in the national unit trust (PNB, 2001).

The success of the ASN and ASB unit trusts managed by the PNB group further reinforced the role of unit trusts as an effective instrument to mobilise domestic household savings in the long-term. More importantly, their success confirmed that unit trusts were effective instruments with which to implement the government's policies and objectives. Within the Malaysian context, unit trusts have been used as a vehicle to improve the socio-economic status of Malaysians in the long-term (Saruwatari, 1991). Democratising the ownership of corporate securities was also boosted by the formation of the unit trust industry (Secuties Commission Malaysia, 2004, p. 11). From there, various initiatives were introduced under the Malaysian Capital Market Master plan to help develop the unit trust industry, including removing restrictions on unit trusts participating in exchange traded derivatives, allowing greater international diversification, and allowing foreign majority ownership of UTMC (Secuties Commission Malaysia, 2010b). Overall, the unit trust industry has been a remarkable success story for Malaysia in terms of mobilising domestic household savings and an important policy instrument in the redistribution of the country's economic wealth.

5.5.6 General Performance of the Malaysian Unit Trust Industry

The Malaysian unit trust industry is one of the main investment vehicles for mobilising the savings of Malaysians into the capital market (Secuties Commission Malaysia, 2008b). Having grown five-fold over the last decade, the unit trust industry is by far the largest component within the collective investment scheme industry Secuties Commission Malaysia, 2011c)[22]. The industry's net asset value surpassed the RM200 billion mark in 2010 and stood at RM241.08 billion[23] at the end of August 2011, compared to only RM43.3 billion[24] at the end of 2000 (Securities Commission Malaysia, 2011b). This figure represented nearly 20 percent of the NAV

[22] This is the latest statistic available during the time of study.
[23] Equivalent to GBP48.216 billion (assuming the exchange rate is RM5 = GBP1).
[24] Equivalent to GBP8.66 billion (assuming the exchange rate is RM5 = GBP1)

of the Bursa Malaysia Market Capitalisation (Secuties Commission Malaysia, 2011c).

Assuming the trends will continue, the industry assets under management are expected to grow from RM377 billion[25] to RM1.6 trillion[26] over the next 10 years with the industry penetration rate likely to almost double from 18 percent to 34 percent over the same period (Secuties Commission Malaysia, 2011c). As at 31 December 2010, there were more than 500 unit trust funds with industry NAV standing at RM226.81 billion (Secuties Commission Malaysia, 2011b). The same growth story is being recorded by the Islamic unit trust industry which is part of the Islamic Capital Market. In 1993, there were only two Islamic unit trust funds in Malaysia (Secuties Commission Malaysia, 2008b); however, by the end of December 2010, the number of Islamic unit trust funds had increased to 152 with a current combined net asset value of RM29.04 billion (Secuties Commission Malaysia, 2011c).

5.5.7 Regulatory Framework

The unit trust industry is regarded as a highly regulated industry with a considerable number of acts and guidelines issued to govern the industry. The main sources of the industry regulatory framework are the Capital Market and Services Act 2007 (CMSA) and the Guidelines on Unit Trust Funds (the UTF Guidelines) that govern the establishment and operation of Malaysian unit trust funds. The SC Malaysia is responsible for administering and amending the UTF Guidelines from time to time. The latest revision was made by the SC in February 2009. The requirements of the UTF Guidelines are mandatory and must be met by all parties to any UTF, such as the management company and the trustee, formed from 3 March 2008.

[25] Equivalent to GBP75.4 billion (assuming the exchange rate is RM5 = GBP1).
[26] Equivalent to GBP0.32 trillion (assuming the exchange rate is RM5 = GBP1).

In general, the law requires the trust deed to be registered and the appointment of all parties to the UTF (including the manager, trustee, investment manager and chief executive officer) to be approved by the SC Malaysia. Moreover, the SC Malaysia has also issued Prospectus Guidelines for collective investment schemes (effective from January 2008), Guidelines on Marketing and Distribution of Unit Trust Funds (effective from 3 March 2008), and Guidelines on Unit Trust Advertisements and Promotional Materials (effective from 3 March 2008).

5.5.8 Reporting and Disclosure Regulatory Framework

The reporting and disclosure requirements of unit trust funds are set out in Paragraph 298 of the CMSA and Chapter 12 of the UTF Guidelines. Schedule D of the guidelines further specify the minimum and detailed information that needs to be included in the fund reports. The management company is required to prepare an annual report and an interim report of the fund and provide necessary information to enable unit holders to assess the performance of the fund (Paragraph 298 of the CMSA and Paragraph 12.01 of the guidelines). Chapter 12 of the guidelines specifies the content of fund reports and the requirements for the reports' publication. Under Paragraph 12.07 of the guidelines, a management company is required to send both annual and interim reports to unit holders without any charge and lodge the reports with the SC within two months after the end of the financial period.

As well as the annual and interim reports, a fund's prospectus is another important disclosure document in the unit trust industry. The requirements for the issuance of the prospectus and supplementary[27] or replacement[28] prospectus are set out under Sections 232 and 238 of the CMSA, respectively. The minimum information required by the SC Malaysia in the fund's prospectus is as specified by Section 235(1) (a) to (e) of the CMSA and the Prospectus Guidelines for Collective Investment Schemes. Section 233 of the CMSA requires the fund's prospectus to be registered with the SC Malaysia. The prospectus is considered to be a critical

[27] A supplementary prospectus is part of the prospectus to which it relates (Section 238 (7) of the CMSA).
[28] A replacement prospectus replaces the prospectus previously registered under Section 233 (Section 238 (8) of the CMSA).

document as it enables the investors to access the latest information about the fund and the issuer of the fund.

In addition to reporting to investors or unit holders, Chapter 13 of the UTF Guidelines requires UTMC to also report to the SC Malaysia. Schedule F of the guidelines further specifies the reporting requirements to the SC Malaysia which include, for example, the types of reports and the frequency of reporting. On a monthly basis, UTMC are required to submit a Statistical Return and Compliance Return of the fund (collectively referred to as the UTF Return) via the Trust and Investment Management Electronic Reporting System. The Compliance Return must be submitted to, and verified by, the trustee of the fund before being submitted to the SC Malaysia.

5.6 Summary and Conclusion

This chapter presented an overview of the Malaysian environment including the economic conditions, regulatory bodies, and the history and development of the unit trust industry, covering the main period of study from 2007 to 2011. The points and issues discussed in this chapter provide a strong basis and cogent justification for the chosen research setting as explained in the previous chapter. Moreover, an understanding of the population of Malaysia, the national language, culture, ethnicity, economic conditions and the regulatory bodies involved in monitoring the Malaysian capital market (especially the unit trust industry) is important for rationalising the empirical findings revealed in the later chapters. The next chapter presents the results of the interviews, documentation review and observation analysis focusing on the perspectives of the key industry players and regulators.

CHAPTER 6: DESCRIPTIVE FINDINGS OF INVESTIGATION INTO MALAYSIAN UNIT TRUST INDUSTRY

6.1 Introduction

This chapter presents and discusses the descriptive empirical findings of the case organisations by focusing on the main findings and issues revealed by this research at the industry and case organisation level. To rationalise the empirical findings presented in this chapter and in the following chapter, the context of the case organisations is first briefly reviewed.

This chapter is organised as follows: Section 6.2 provides a brief overview of the study context (a detailed background was provided in Chapter 5), and Section 6.3 presents and discusses the findings of preliminary study 1 and preliminary study 2. Section 6.4 discusses the problems and challenges experienced by the industry. Section 6.5 discusses the possible solution to these problems and challenges; followed by a detailed discussion of the education initiatives taken by the industry regulator and the case organisations, in Sections 6.6 and 6.7, respectively. This is followed by a summary in Section 6.8 of the key findings and issues as presented and discussed in this chapter.

6.2 Malaysian Unit Trust Industry

As discussed in Chapter 5, the unit trust concept is relatively new in Malaysia compared to its Asian neighbours. It started in 1959 when a unit trust fund was first established by a company called Malaysian Unit Trust Ltd. In order to understand the industry, it is crucial to look back to its history as the emergence and the development of the Malaysia unit trust industry cannot be separated from Malaysia's broad economic, political and social context. Understanding the history of its existence and development helps to make sense of its current state.

After the 1969 ethnic riots, the Malaysian Government introduced the NEP in 1970, as an integral component of the Second Malaysia Plan, with the aim of achieving national unity, stability, and long-term economic prosperity. It was designed to rectify the economic imbalances existing among Malaysia's ethnic communities, namely the *Bumiputera* and non-*Bumiputera*. These imbalances were attributed largely to historical factors, the political and administrative systems in place in the period before Malaysia gained independence, and the socio-economic circumstances of a multi-racial society (PNB, 2001, p. 52).

One of the mechanisms implemented to achieve the objective of the NEP was the unit trust investment model which was managed through a three-tier structure of government agencies/companies in order to promote and increase share ownership in the corporate sector among the *Bumiputera*. By employing this innovative investment model, the Malaysian Government ensured that these shares were retained by the government agencies/companies, resulting in the cultivation of a widespread habit of saving, and the development of entrepreneurship and investment skills among the *Bumiputera*. Importantly, it also resulted in the greater democratisation of investments in the capital market in Malaysia with both rural and urban *Bumiputera* participating in corporate business through this savings-investments model (Secuties Commission Malaysia, 2004, p. 15).

At a later stage, the 1997/1998 Asian economic crisis and the 2007/2008 world financial crisis provided sufficient evidence of the importance of high domestic savings in helping Malaysia recover from the crises (PNB, 2001). This provides strong justification of the Malaysian Government's serious and continuous efforts in mobilising household savings into the capital market with the unit trust schemes' significant role in mobilising and managing voluntary household savings as part of the process of capital formation (Secuties Commission Malaysia, 2010b, 2011a).

The unit trust industry is highly regulated with a considerable number of acts and guidelines issued to govern the industry. The main sources of the industry regulatory framework are the Capital Market and Services Act 2007 and the Guidelines on Unit Trust Funds (effective from 3 March 2008) that govern the establishment and operation of Malaysian unit trust funds. The SC Malaysia is responsible for administering and amending the UTF Guidelines from time to time. The SC

Malaysia also issued Prospectus Guidelines for collective investment schemes (effective from January 2008), Guidelines on Marketing and Distribution of Unit Trust Funds (effective from 3 March 2008), and Guidelines on Unit Trust Advertisements and Promotional Materials (effective from 3 March 2008). The reporting and disclosure requirements of unit trust funds are set out in Paragraph 298 of the Capital Market and Services Act and Chapter 12 of the UTF Guidelines.

As explained in the previous chapter, the unit trust industry is by far the largest component within the collective investment scheme industry (Secuties Commission Malaysia, 2011c)[29]. The industry NAV, which surpassed the RM200 billion mark in 2010, stood at RM241.08 billion[30] at the end of August 2011 compared to only RM43.3 billion[31] at the end of 2000 (Securities Commission Malaysia, 2011b). This figure represented nearly 20 percent of the NAV of the Bursa Malaysia Market Capitalisation (Secuties Commission Malaysia, 2011b)

Assuming the trends will continue, the industry assets under management are expected to grow from RM377 billion[32] to RM1.6 trillion[33] over the next 10 years with the industry penetration rate likely to almost double from 18 percent to 34 percent over the same period (Secuties Commission Malaysia, 2011c). Overall, the unit trust industry has been a remarkable success story for Malaysia in terms of mobilising domestic household savings and functioning as an important policy instrument in the redistribution of the country's economic wealth (Securities Commission Malaysia, 2004, PNB, 2001). The following section presents and discusses the findings of preliminary study 1 and preliminary study 2 into unit trust funds in Malaysia.

[29] This is the latest statistic available during the time of study.
[30] Equivalent to GBP48.216 billion (assuming the exchange rate is RM5 = GBP1).
[31] Equivalent to GBP8.66 billion (assuming the exchange rate is RM5 = GBP1).
[32] Equivalent to GBP75.4 billion (assuming the exchange rate is RM5 = GBP1).
[33] Equivalent to GBP0.32 trillion (assuming the exchange rate is RM5 = GBP1).

6.3 Preliminary Findings

As explained in Chapter 4, two initial studies were conducted prior to the main study. The findings from both studies are presented and discussed below.

6.3.1 Voluntary Disclosure: Preliminary Study I

In the first preliminary study, the unit trust fund annual reports ending in 2008 and/or 2009 of four UTMC, namely, FGUS, PSU, SBUS and PMB, were content analysed. This procedure was carried out in order to gain some insights into the industry's reporting and disclosure practices. These UTMC were selected on the basis of: (i) the ownership structure, and (ii) the availability of and accessibility to the fund reports. The fund reports were gathered manually or downloaded from the UTMC website or the SC Malaysia unit trust database. The definition of "voluntary disclosure" adopted in this study is a disclosure made by a UTMC in excess of requirements (Meek et al., 1995). The disclosure could involve qualitative, financial or any other type of information (Depoers, 2000). Accordingly, the contents of the fund reports were compared directly against the SC Malaysia fund report content checklist in order to identify any information in excess of the SC Malaysia requirements.

As shown in Table 6.1, very limited evidence of additional or voluntary information other than the mandatory required information was found in the funds' annual reports. The additional information that was provided was directory-type information which may not always be used, for example, to make informed investment decisions. One exception was the investor letter[34] provided by PSU in its fund reports for the year ending 2009, which contained a summary of the market review and general investment recommendations according to the recent market conditions and risk tolerance; this content might have been informative to the unit holders.

[34] A statement from the CEO of PSU providing updates on, for example, current market and economic conditions.

Table 6.1 Findings of preliminary study 1

UTMC	Additional/ Voluntary Information Provided		
	2008	**2009**	**Summary**
FGUS:			
Balanced fund (ASB)	2 items (address of FGUS offices and corporate information)	2 items (address of FGUS offices and corporate information)	Very limited evidence of additional or voluntary information
Excellence fund (ASG)	n/a	2 items (address of FGUS offices and corporate information)	
MSA fund (ASM)	n/a	2 items (address of FGUS offices and corporate information)	
National fund (ASNB3)	n/a	1 item (address of FGUS offices)	
Capital20 fund (W2020)	1 item (address of FGUS offices)	n/a	
PSU:			
Equity growth fund	2 items (corporate information and address of offices)	3 items (investor letter, corporate information and address of offices)	Very limited evidence of additional or voluntary information
Equity fund	2 items (corporate information and address of offices)	3 items (investor letter, corporate information and address of offices)	

n/a = fund report is not available

Table 6.1 Findings of preliminary study 1 (continued)

UTMC	Additional/ Voluntary Information Provided		
	2008	2009	Summary
Growth fund (EGF)	n/a	3 items (investor letter, corporate information and address of offices)	Very limited evidence of additional or voluntary information
Small cap fund	n/a	2 items (investor letter and corporate information)	
Balanced growth fund	n/a	3 items (investor letter, corporate information and address of offices)	
SBSU:			
Balanced fund	4 items (additional information section providing explanation on several transaction procedures, insurance coverage section, address of offices, investor relations information)	4 items (additional information section providing explanation on several transaction procedures, insurance coverage section, address of offices, investor relations information)	Very limited evidence of additional or voluntary information

n/a = fund report is not available

Table 6.1 Findings of preliminary study 1 (continued)

UTMC	Additional/ Voluntary Information Provided		
	2008	**2009**	**Summary**
Index fund	3 items (additional information section providing explanation on several transaction procedures, address of offices, investor relations information)	3 items (additional information section providing explanation on several transaction procedures, address of offices, investor relations information)	Very limited evidence of additional or voluntary information
Aggressive fund (SAF)	n/a	3 items (additional information section providing explanation on several transaction procedures, address of offices, investor relations information)	
PMB:			
Opportunities fund	3 items (corporate information, background of directors and senior management, and address of branch and agency offices)	3 items (corporate information, background of directors and senior management, and address of branch and agency offices)	Very limited evidence of additional or voluntary information

n/a = fund report is not available

The evidence suggests that the funds' annual reports provided very little voluntary information. The highly regulated nature of the industry perhaps explains such a finding, and this issue is discussed in detail in the following chapter. With the assumption that other avenues might be used by the unit trust industry players to provide voluntary information, the second preliminary study was undertaken to explore other communication channels that might be utilised by the unit trust industry players to provide voluntary information. The next section presents and discusses the findings of the second preliminary study.

6.3.2 Voluntary Disclosure: Preliminary Study 2

As explained in Chapter 4, the second preliminary study was undertaken by investigating communication channels other than the funds' annual reports among the industry players (UTMC and the trade organisation), and between the industry regulator and unit holders, potential unit holders and the public. The study was undertaken by surveying channels or mediums of communications such as organisational websites, press releases and any other documents published by the UTMC and the industry self-regulatory organisation, such as funds' prospectuses, bulletins or magazines.

The findings are summarised in Table 6.2. Firstly, it was found that, similar to the funds' annual reports, the fund prospectuses of these four UTMC provided very limited additional or voluntary information. Secondly, the websites of these companies generally contained similar content and layout such as sections for investors' education, news and press releases including investor and public activities or programs, latest fund annual reports and prospectuses (in the form of PDF files that can be downloaded), products and services information as well as awards received by the UTMC or the funds. The provision of some of this content or information was voluntary in nature, such as information about free education events or activities for investors and the general public as well as other voluntary publications such as newsletter and articles.

Table 6.2 Findings of preliminary study 2

UTMC and SRO	**Communication Channels/Mediums**			
	Fund Prospectus	Website	Press Releases/ News/ Announcements	Other Publications
FGUS	Very limited evidence of additional or voluntary information	Contains both mandatory and voluntary information and/or documents including, for example, learning centre section, education programme or event, news and announcements + the latest fund prospectus	Limited to unit trust fund transactions e.g., distribution of income (dividend), subscription of units	Newspaper articles
PSU	Very limited evidence of additional or voluntary information	Contains both mandatory and voluntary information and/or documents including, for example, investor's guide section, awards and recognition received, news and press releases + the latest fund prospectus and fund reports	Topics/ issues including, for example, income distribution, new fund launching, awards received, view or opinion of PSU top management on economic and business topics	Investment newsletter (website), articles in business magazines

Table 6.2: Findings of preliminary study 2 (continued)

UTMC and SRO	Communication Channels/Mediums			
	Fund Prospectus	Website	Press Releases/ News/ Announcements	Other Publications
SBSU	Very limited evidence of additional or voluntary information	Contains both mandatory and voluntary information and/or documents including, for example, resource centre (investor education) section, latest news and announcements + the fund prospectus and fund reports	Topics/issues including, for example, income distribution, upcoming events for investors and the general public as well as news on SBSU ‘community’ activity	Daily digest, economic updates (updates on economic news), and fund fact sheets (website)
PMB	Very limited evidence of additional or voluntary information	Contains both mandatory and voluntary information and/or documents including, for example, unit trust lesson section, feature articles, market report, news and announcements. Awards and recognition received + the latest fund prospectus and fund reports	Limited to unit trust fund transactions e.g., distribution of income (dividend) and launching of new funds	Feature articles on various economic/ business topics/ issues (website)
FIMM (SRO)	Not applicable	Information is provided to three different users (investors, distributors and members) including, for example, information for investor/general public education on unit trust investment, news and events + FIMM annual reports	Economic updates, regulatory updates, announcements of upcoming events	Unit trust annual newsletters (website)

In summary, the evidence suggested that these communication channels, except the funds' prospectuses, were used by these UTMC to provide some voluntary information. One of the reasons which may affect the voluntary practice among these UTMC was revealed during an interview with a representative from the regulatory body responsible for overseeing and regulating the unit trust industry. As this respondent explained, the regulatory body only permits certain types of voluntary information to be shared by the UTMC:

"They can provide promotional information but must comply with the promotion guidelines, facts which are additional information and their views. Views about the markets, economy conditions or some analysis for example the market forecast [are permitted]". (Regulatory Officer, R9)

Based on these preliminary findings, a few points are worthy of mention. Firstly, on one hand, the mandatory documents and the companies' websites contain information which is able to help investors in particular to make an informed investment or financial decision (if the information is read and used properly). The fund annual report, for example, which consists of information about the fund performance, manager's report, trustee's report, auditor's report and financial statements, provided insights into the performance of the fund and the ability of the fund manager to manage the fund. These sources, however, provided limited insights into other (non-financial) aspects such as the corporate social responsibility and accountability practices of the management company.

This research aimed to explore case organisations' CSR and accountability initiatives which go beyond economic or financial matters, and it was clearly difficult to gain this insight through the examination of the fund reports and information shared through other communication channels. Accordingly, it was decided that the face-to-face interviews with several industry players were necessary to gain some insight into the companies' social responsibility and accountability practices.

Secondly, the preliminary findings could be evidence of a strong hierarchical, upward, functional accountability in the unit trust industry based on formal, mandated reporting. A comparison between the content of the funds' annual reports and the SC Malaysia fund report content checklist, for example, revealed that the annual reports were fully compliant with the SC Malaysia reporting and disclosure requirements. However, as mentioned earlier, there is limited scope for voluntary reporting in the formal reports particularly with respect to social and environmental aspects.

The issuance of fully compliant mandated reports enables the UTMC to discharge legal accountability (Ebrahim, 2003a) as they fulfil their responsibility in providing or disclosing (minimum) information (Chisolm, 1995). However, Gray et al. (1996, p. 40) remind us that "the legal responsibility for action brings a moral responsibility to account which is only partially discharged by the legal responsibility to account", for example, through financial reporting. The issue regarding the formal forms of accountability that seem to dominate the Malaysian unit trust industry is discussed further in the next chapter.

Finally, it was obvious that no, or very little, voluntary information was provided by the UTMC particularly in the mandated reports and documentation. However, as mentioned earlier, the mandated disclosure was in full compliance with the reporting and disclosure requirements of the industry. Therefore, why do we need voluntary disclosure if the mandated disclosure is good enough? While mandated disclosure is able to tell some of the stakeholders such as the unit holders about the financial performance and position of the fund, the mandated disclosure is not sufficient in giving accounts of other types of responsibilities and hence to discharge other forms of accountability with respect to accountability relationships with the same or different stakeholders.

While it is acknowledged that the widespread practice of disseminating high levels of voluntary information would be difficult to achieve, some effort towards this goal is important in order to create full accountability relationships. Even if these mandated reports are in full compliance, the companies do not appear to go further to consider aspects other than financial matters. To investigate this practice more fully, the mandated reports were not in themselves sufficient and other communication channels were reviewed. The following sections present and discuss the main findings of the study, including factors that affect the practice of voluntary disclosure by the case organisations[35] as revealed by the interviewees from the case organisations.

6.4 Problems and Challenges in the Industry

A number of problems and challenges that might have a significant impact on the unit trust industry were raised and discussed during the interview sessions by many interviewees regardless of their roles in the industry. These problems and challenges related to the level of understanding among the investors and the general public concerning the concept of unit trust investment, the practice of unit trust consultants to push products, the need to nurture responsible investors and the ability of investors' to comprehend the content of the mandatory documents.

6.4.1 Level of Understanding

Many of the interviewees mentioned the lack of understanding among the investors and the general public regarding financial matters and products in general, and the concept of unit trust investment in particular. Several of the interviewees held a view that the level of financial literacy among Malaysians was still low. This view was expressed in the following statements:

"I think talking about financial literacy among the Malaysia population as a whole, financial literacy is still quite low." (Associate Director, R16)

[35] All the companies investigated in preliminary study 1 and 2 were involved in the interviews except for PMB which was unable to participate due to unspecified reasons.

"In fact in Malaysia as compared to other developed countries, our country has... in terms of financial literacy is quite low I can feel that."(Investment Executive, R3)

"Financial literacy among Malaysians is very, very low. And they are always tempted by high returns." (Executive Director, R4)

The interviewees claimed there was a lack of understanding about financial matters and products even among professional groups outside the financial sector. This was expressed by the interviewees as follows:

"You can have a professional [qualified] doctor, lawyer but they are not financially literate. So for them to even comprehend all these financial products is not an easy task." (Associate Director, R16)

"They could be [an] engineer and so on. They lack understanding of financial products, it shocks me." (CEO, R13)

Evidence from the document review provided support for the claim that the general level of understanding among the Malaysian public about financial and investment matters and products was still low and needed to be improved. A few incidents demonstrated this lack of understanding about financial and investment products, for instance; for example, as reported by the SC Malaysia, there were investors who still invested in scams. The lack of understanding about financial products combined with the temptation of high returns could be costly, as investors could be easily trapped in investment scams and, most likely, could lose the money invested. This was explained by an interviewee from FIMM:

"So in a way, sometimes you see they invested in all those unapproved internet scams, okay and then they lost, lost a lot of money." (Executive Director, R4)

Generally, the SC Malaysia continuously emphasises the importance of raising the level of investor awareness about fundamental investing principles (Secuties Commission Malaysia, 2004, 2010a, 2007, 2008a, 2009a). In relation to the unit trust industry in particular, the general awareness of unit trust investment has increased; however, the SC Malaysia (2004) has highlighted that one of the regulatory challenges that comes with the growth of the industry is investors' limited understanding of these types of investments. The SC Malaysia has further noted that there are investors who still do not fully comprehend the nature of investment schemes (Securities Commission Malaysia, 2004)

The review of the relevant documents in this study seemed to support this concern. For example, the target market for several unit trust products of one government-sponsored UTMC was the rural poor, and there was a concern that this target group had little to no knowledge of investment. This concern was expressed in the following statement extracted from the annual report: "Bear in mind that the target market for FGU's unit trust product was the rural poor with low levels of incomes and savings, and little to no knowledge of investment" (FGU, 2009b).

This lack of ability among the rural poor to understand the financial products is not surprising, as even members of professional groups were believed to have difficulty comprehending the financial products. One private-sponsored UTMC voiced its commitment to educate its investors to help them better understand the investment concepts. This commitment might be related to the result of a survey undertaken by this company in which one of the variables was the investors' lack of understanding of the prospective and long-term benefits (BERNAMA, 2009). The limited understanding of financial and investment products may contribute to unhealthy practices among some unit holders, such as the acceptance of pre-signed investment forms without knowing which fund the agent will invest their money in. This poor practice was explained by one associate director as follows:

"Some people just signed forms, pre-signed a few forms and there were some cases. I cannot say how many cases but there were some. And they don't even know in what fund they are putting their money." (Associate Director, R16)

6.4.2 Product-Pushing Practices

Product-pushing practices among the individual (tied) consultants of UTMC were a concern among many interviewees. Product-pushing practices refer to the sales practices of consultants who propose unit trust products that do not match the investors' risk profile or needs. According to some interviewees, this practice was mainly driven by sales-incentive factors as commission are paid to the consultants based on the amount or size of sales made. This can lead to what is referred to as a mismatch between an advising role and selling activity where there is a potential conflict of interest.

During the interviews conducted in this research, one of the individual consultants argued that some clients prefer products that can generate higher income although the product does not match their risk profile. Individual (tied) consultants who have committed such practices have been characterised as money-minded 'salesmen'. In addition, some interviewees perceived the tied agents to have poor attitudes such as ignoring investors, acting with (blind) loyalty to the company, and providing misleading advice.

A representative of FIMM admitted the existence of those 'bad apples' in the industry, but argued that the number of those 'bad apples' was relatively small compared to the total number of individual unit trust consultants. Both the SC Malaysia and FIMM have attempted to resolve any sound complaints made by the investors. Nonetheless, the SC Malaysia and FIMM believed that these poor practices can be minimised or avoided at the very beginning if the investor understands or is responsible enough to obtain relevant information or to approach an expert to obtain some advice before making investment decisions. As shared by the interviewee from the SC Malaysia, a detailed investigation was conducted into many of the complaints about the conduct of the unit trust consultants referred to the commission. The results revealed that the investors themselves did not make sufficient or appropriate efforts; for example, they did not read a fund prospectus, before making an investment in a unit trust scheme.

Evidence from the review of documents seemed to support the claims made by several interviewees about the occurrence of poor practices in the unit trust industry which related to the acts of the tied agents. In line with this observation, the number of complaints received by the SC Malaysia regarding improper practices in dealing with unit trusts increased from five percent in 2007 to eight percent in 2008 (Secuties Commission Malaysia, 2007, 2008a). The examples given of poor practices included the verbal guarantee of large returns, non-disclosure to the clients about the risks of the fund, and improper and conflicting advice to clients (Secuties Commission Malaysia, 2010a, p. 2).

The documentation review suggested that the poor practices came to the attention of the SC Malaysia as early as 2004 when the commission noticed that one challenge accompanying the unit trust industry growth was the "inadequate dissemination of quality information by agents to prospective investors" and there were fears that some agents were 'hard-selling' their products without taking into account the interests and needs of the clients (Secuties Commission Malaysia, 2004, pp. 80-81).

6.4.3 Knowledge and Expectation Gaps: Nurturing Responsible Investors

Another issue raised and discussed by a number of interviewees concerned the 'irresponsible' attitudes of investors. These attitudes were said to include, for example, not bothering to read the relevant documents such as the prospectus, not listening to pre-sales briefing advice or not 'keeping in touch' with the fund's investment status. The poor attitudes of the investors or prospective investors were reported in the following interview statements:

"But the only thing the investors sometimes are not bothering to know more about it. When you try to explain to the investors all about the product and also anything else the investor will say no, no, no, just tell me how much I can make." (Executive Director, R4)

"Yes, [it is difficult] to explain to people who do not understand and also do not bother at all. First, people who don't understand, then the people that have this kind of mind setting 'What I want is my money should be worth this and this'. So it is difficult." (Tied Consultant, R6)

"...but the client as an investor also needs to aware about his own responsibility. Meaning that the client cannot simply rely to the adviser 'I rely one hundred percent on you'. Actually he has to look after his investment. At least he is aware what he is investing in. If he doesn't know anything about his investment that does why later on let's say the fund is not performing, he will totally blame the adviser." (Tied Consultant, R5)

These observations of the investors' poor attitudes were supported by the representative of the unit trust industry regulatory body who explained:

"Every person who wants to invest in the unit trust must read and understand first the content of the prospectus. However, scrutinizing the complaints that we received, it indicated that, many of the investors who made the complaints didn't read the prospectus." (Regulatory Officer, R9)

Related to the issue of the investors' poor attitude, both the interviewees from the SC Malaysia and FIMM stressed the importance of investors learning to be responsible investors. As explained by the interviewee from the SC Malaysia, under the disclosure-based regime being implemented in the industry, the commission would like investors to be responsible and accountable for their own decisions:

"So under the disclosure-based regime, we want the investors also to be responsible, be accountable for their own decisions, each individual, and education is very important here." (Regulatory Officer, R9)

This view was shared by the representative from FIMM who said that:

"And I will strongly say that our investors must learn to, to understand more about unit trust. They must take their responsibility to do that. The investment decision lies with them." (Executive Director, R4)

Consistent with the interviews, the evidence gathered from the document review showed that the SC Malaysia considered that investors must be held accountable for responsible investing (Secuties Commission Malaysia, 2009a, p. 3). In this view, investor protection comes not only from the regulatory framework but, more importantly, from the investors themselves. The SC Malaysia, therefore, believed that the investors must be equipped with the necessary knowledge and skills to enable them to make responsible and informed investment decisions.

In addition, the SC Malaysia believes that, as well as being market participants, investors have a role to play in promoting market integrity, building market confidence and strengthening investor protection in Malaysia's capital market context (Secuties Commission Malaysia, 2007, p. 1-1). In order to achieve this, the SC Malaysia recognises the importance of educating investors and the general public.

While the evidence presented above indicated the existence of a knowledge gap among the current and prospective unit holders, it is also implied that there was an expectation gap among unit holders regarding the industry players' roles and responsibilities, particularly of the unit trust advisers or consultants. The knowledge gap, here, refers to the level of knowledge and understanding of the unit holders regarding financial and investment concepts, issues and products. The expectation gap, in this context, refers to differences in expectations among the unit holders regarding what the fund managers are supposed to do for the unit holders and the fund managers' expectations regarding what the unit holders would require. Taking into account the impact of these gaps on the voluntary financial education initiative undertaken by both the regulator and the UTMC (discussed in more detail later in this chapter), a two-way process should possibly ensue. The education initiative should not only aim to increase the financial and investment knowledge but also should aim to enlighten the unit holders and the general public (who might be prospective unit holders) as well as the unit trust advisers and consultants regarding the roles and responsibilities of both parties and the processes of the investment.

6.4.4 Ability to Comprehend Mandatory Documents

Several interviewees voiced concerns regarding the ability of unit holders to comprehend the content of mandatory documents such as the fund reports. This concern was expressed, for example, by one investment executive as follows:

"They do not have a financial background so they may not understand what actually we are presenting to them. So this is one of the challenges that we have." (Investment Executive, R3)

Another interviewee voiced the same opinion about the issue:

"...like what I said their [unit holders'] understanding or their comprehension in understanding the information, not all will be benefited because I think the understanding level does not reach the necessary one." (CEO, R13)

This claim seems credible as not all unit holders have a financial background or have basic financial or investment knowledge which is crucial to help them understand the content of the fund annual and interim reports or the fund prospectus. Consequently, a unit holder may require some basic financial or investment knowledge or may need to seek professional advice.

These documents are among the mechanisms of accountability used in the industry; therefore, the ability of existing and prospective unit holders to comprehend the content of these documents is crucial, as this is a key pre-requisite of effective accountability relationships. Only if the unit holders are able to understand the information provided in these documents will the reports be useful in facilitating the unit holders to make informed decisions. This will also enable the players to 'account' to the unit holders effectively.

In order to equip the unit holders and the general public with the necessary financial and investment knowledge, and to address the problems and challenges discussed earlier, the industry regulators and some of the industry players have (voluntarily) undertaken financial education initiatives. The SC Malaysia, for example, has developed and implemented an investor education blueprint to address the long-term need to build financially literate and knowledgeable investors who are able to take ownership and responsibility for their investment decisions (Secuties Commission Malaysia, 2009a, pp. 1-6). The importance of this initiative and its implementation by the SC Malaysia and the case organisations is discussed further in the following sections.

6.5 The (Possible) Solution: The Importance of/Need for Investors' and Public Education

With regard to the problems and challenges discussed earlier, many of the interviewees stressed the need or importance to educate investors and the general public. Many of the interviewees shared a common view about the need to educate investors and the general public as one of the means to increase the level of their understanding about unit trust investment in particular and financial matters and products in general. This view was expressed by the following interviewees:

"Financial literacy has to be ongoing, continuous efforts, continuous efforts and the FIMM must do it, the regulators must do it, even the government can help out. Forever okay, there are new investors, new prospective investors, some who have

just entered working life, to know more about investment, every year new people are coming to the market, these people need to learn okay? So it has to be done on a continuous basis." (Executive Director, R4)

"Like what I said the agent of change is in terms of education... It has to be, perhaps in terms of education, no matter where, may be in school, by taking commerce courses, [and] make it compulsory. To me it [financial education] is very critical, right, in terms of, this thing, no matter whom you are, you need to know some basic financial knowledge." (CEO, R13)

As the knowledge and understanding of the investors and the general public improves, some interviewees believed that the occurrence of poor practices among the unit trust consultants can be minimised or avoided. Moreover, with regard to one of the challenges discussed earlier, essential knowledge and understanding on financial and investment matters, as claimed by several interviewees, was important to help the existing and prospective investors to understand the content of relevant documents such as the fund prospectus and financial reports. This view was expressed by one of the interviewees as follows:

"They are not from financial background so they may not understand what actually we are presenting to them. So this is one of the challenges that we have. That is why we...different players in the industry, even HWA or ASL also have their public seminar. So this is one of the trends to educate our clients as well as the public."(Investment Executive, R3)

The unit holders should also be educated to be responsible, particularly to make use or understand the content of the reports and other mandatory documents prepared for them. This view was expressed by one interviewee as follows:

"There is a need to educate the investors, that they must be responsible to know more about it [reporting and disclosure]." (Executive Director, R4)

In the context of Malaysia's unit trust industry, several UTMC have developed the initiative to organise financial education in various forms or means, such as workshops, seminars, exhibitions and road shows for investors and the public. One government-sponsored UTMC in fact had started its education initiative more than two decades ago, designing a programme to cater to the educational needs of almost every segment of the community. At the broader level, the regulatory bodies, including the SC Malaysia, have also undertaken investors' and public financial education initiatives nationwide.

As discussed earlier, the SC Malaysia has consistently highlighted the importance of financial education for investors and the general public. This was, for example, expressed in the SC Malaysia Chairman's statement in the commission's 2007 and 2008 annual reports. The financial education initiative was being undertaken as the SC Malaysia believed that the more appropriate means to protect the investors was not only through regulation and enforcement but through equipping investors with the necessary knowledge and skills to manage investment risks (Secuties Commission Malaysia, 2007, 2008a).

While various motives could be associated with these education initiatives undertaken by the UTMC, the initiatives seem to be in line with or complementary to the SC Malaysia investor education blueprint strategy which has encouraged Malaysian market players to take responsibility for educating their own investors. Descriptive findings on the voluntary initiatives which include education courses, programs and events undertaken by some of the UTMC are presented in Section 6.7. It is worth, however, discussing the SC Malaysia education initiatives before proceeding with a discussion of the education initiatives undertaken by the case organisations. The following section, therefore, provides an overview of the SC Malaysia investor and general public education initiatives.

6.6 SC Malaysia Financial Education Initiatives: An Overview

With respect to educating the public and investors, the SC Malaysia through its 2008-2012 investor education blueprint has encouraged the industry to take responsibility for educating their investors (Secuties Commission Malaysia, 2009a, p. vi) by incorporating the education component in their marketing activities. This was expressed by the SC Malaysia (2007, pp. 1-7) in the following statement:

> Efforts to widen financial literacy will be coupled with initiatives to encourage the industry to take on the responsibility of educating investors. This will involve the industry incorporating investor education in their marketing, both at the firm and industry level.

The SC Malaysia believes that every market participant, including issuers, intermediaries and advisers as well as investors have a role in promoting market integrity, building market confidence and strengthening investor protection (Secuties Commission Malaysia, 2007, p.1-1). The SC Malaysia views investor education as critical for investor protection as it believes that the investors are best protected when they are knowledgeable and aware of their rights. In particular, the SC Malaysia has acknowledged the importance of investor education to the development of the capital market by building the capacity of investors to understand the risks associated with sophisticated and complex products. Accordingly, the SC Malaysia, through what it calls the 'empowerment' of investors, organises various financial literacy programs at the national level to increase investors' awareness and to equip them with the necessary knowledge and skills (Secuties Commission Malaysia, 2007).

In the context of the unit trust industry, as investors are more predisposed to invest in what they understand FIMM and the Securities Industry Development Corporation (SIDC)[36] have worked towards educating investors on the benefits and associated risks of investing in unit trusts. These initiatives, as observed by the SC Malaysia (2010b), have generally had a positive impact on the industry growth.

[36] SIDC is the SC Malaysia training and education arm, responsible among others for carrying out the SC Malaysia education initiatives

Evidence from the documents provided support for the view that the SC Malaysia was not only protecting investors through its enforcement activities but also educating investors so that the investors could be protected from fraudulent transactions, make better choices as informed market participants and value good corporate governance and CSR (SIDC, n.d.). Particularly since 2008, the SC Malaysia has widened the depth and coverage of its investors' education programs with the aim to equip investors and the public with necessary knowledge and skills.

Several education initiatives carried out by the SC Malaysia were mentioned in the interview sessions, including taking part in financial education exhibitions, giving financial presentations in rural areas and providing programs for students at colleges and higher learning institutions. This was explained by the interviewee from the SC Malaysia as follows:

"On our part, for example we have participated in "Minggu Saham Amanah" [Unit Trust Week]. We open our booth. We talk to the visitors about investment. We organize quizzes to encourage the visitors to read what we display at our booth, to that extent. Besides that, SIDC used to organize talks in rural areas like FELDA[37], and also to colleges students, giving talks about investment. So in the FELDA case, for example, after continuing to organize the talks with FELDA's participants, we now rarely hear about incidents involving the participants making losses of huge investment money due to being ill informed." (Regulatory Officer, R9)

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[37] The Federal Land Development Authority (FELDA) is a Malaysian government agency handling the resettlement of rural poor into newly developed areas. It focuses on opening smallholder farms growing cash crops.

Evidence gathered from relevant documents provided support to the SC Malaysia commitment to educating Malaysian investors and the general public as the commission expressed its strong belief that investors must be equipped with appropriate knowledge to protect themselves (Secuties Commission Malaysia, 2008a). The SC Malaysia commitment to educating Malaysian investors was formally documented and institutionalised when it published its Investor Education Blueprint for 2008 to 2012 at the end of 2007 (Secuties Commission Malaysia, 2007, 2008a).

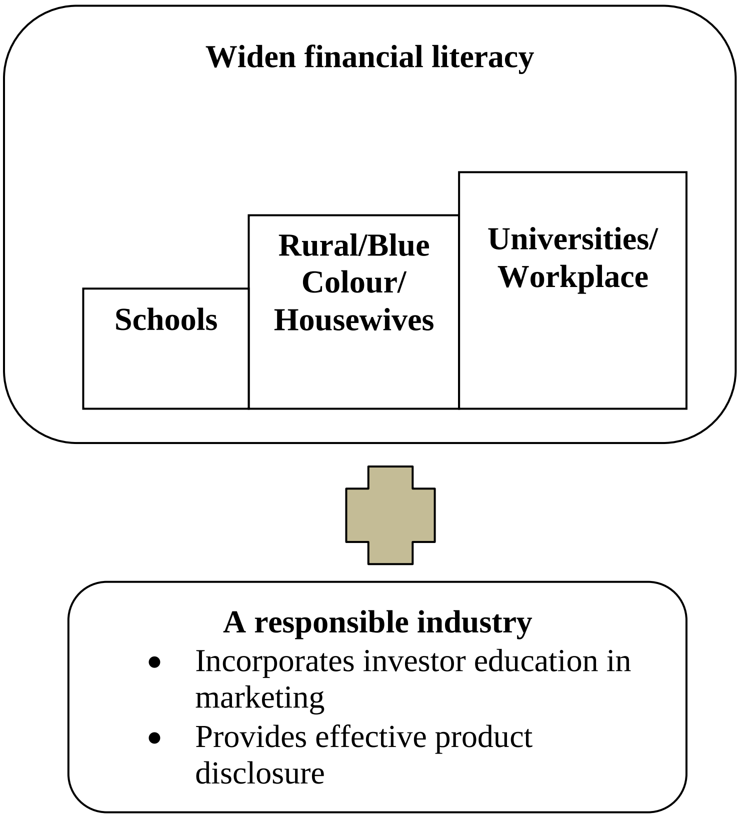
Implementation of the blueprint commenced in 2008. Thus, since 2008, the SC Malaysia began to deliver more well-organised, comprehensive investors' education programs with wider coverage for Malaysian public and investors. In order to learn from and share with others involved in investors' education, the SC Malaysia became a member of the International Forum of Investor Education in August 2008 (Secuties Commission Malaysia, 2008a).

As illustrated in Figure 6.1, with the objective to create knowledgeable and vigilant investors, the SC Malaysia investor education blueprint proposed a two-pronged strategy. The first objective was to widen financial literacy among investors and potential investors nation-wide; hence, education programs were developed to target three important segments, namely, (i) schools, (ii) rural areas, blue collar workers and housewives, and (iii) universities and the workplaces. The second objective was to encourage industry players to take on the responsibility for educating investors by means of incorporating investor education in marketing as well as ensuring that the players provide effective product disclosure to investors.

The implementation of the investor education blueprint has been carried out by the SIDC, SC Malaysia's training and development arm (Secuties Commission Malaysia, 2008a, 2009a). The SIDC is responsible for developing and implementing programs and initiatives to meet the objectives of the SC Malaysia's investor education blueprint (Secuties Commission Malaysia, 2008a).

A huge amount of funds has been allocated by the SC Malaysia to widen financial literacy among the Malaysian public, with RM20 million from the Capital Market Development allocated for this purpose. In 2008 alone, RM3.6 million was spent by the SC Malaysia on its investor education programs that were carried out by the SIDC. The investor education programs include the Kids & Cash, Parents & Cash, Be Money Wise, Cash@Campus and Cash@Work programs that were carried out nationwide (Secuties Commission Malaysia, 2008a).

Figure 6.1: SC Malaysia's Investor Education Blueprint 2008-2012 (2007, part 1, pp. 1-7)



In addition, the SC Malaysia has contributed a number of articles and columns in the media and participated in various industry road shows and investor-related programs in the broadcasting media. The SC Malaysia also has an online education website, “Malaysia Investor”, that can be accessed at www.min.com.my. The website provides articles and information on topics such as investing, investors’ rights and responsibilities, and tips in identifying illegal investment schemes. The website underwent a major revamp in 2009 in order to be more customer-focused and systematic and has recorded a hit rate of a half a million visitors monthly (Secuties Commission Malaysia, 2011c).

Table 6.3, which was extracted from the SC Malaysia 2009 annual report, lists some of the education initiatives and programs that have been carried out by SC Malaysia throughout the country in 2009. The SC Malaysia education initiatives have been undertaken to equip investors and the general public with the necessary financial and investment knowledge and skills so that they are protected from fraudulent transactions as well as to facilitate better choices as informed market participants. The SC Malaysia believes that knowledgeable and informed investors in particular, and a financially literate general public, are important elements in the development of Malaysia’s capital market.

Table 6.3 SC Malaysia's 2009 investor education initiatives (2009a, pp.1-7)

Program Type	Description	Reach
Industry road shows and exhibitions	SC Malaysia participated in industry road shows and exhibitions to provide a platform for enquiries and complaints, and to educate investors. Examples: (i) Minggu Saham Amanah Malaysia (MASM) in Johor Bahru and mini MSAM in Kuching-an investor forum organised by PNB (ii) Minggu Halal Malaysia 2009 – organised by MITI, and (iii) Minggu Kesedaran Kewangan 2009 – A financial education event organised by BNM and other agencies.	279,000 investing public
Talks and presentations	Talks and presentations on unlicensed activities and scams were held with the objective to increase awareness and create a knowledgeable and vigilant investor base. Attendees included students, military and police personnel, state agencies and constituents across various states.	24 talks and presentations 1,130 participants
Media articles	SC Malaysia partnered with the media to deliver investor education and investor alerts through articles in the print media and magazines.	17 articles
Media interviews	Media interviews on investor education, financial literacy, and illegal investment schemes.	TV interview: 2 Radio interview: 2 Newspaper interview: 4

Through its education blueprint, the SC Malaysia aims to develop a responsible industry. To achieve this objective, the SC Malaysia encourages market players to take responsibility by undertaking investor education initiatives. The following section presents descriptive findings of the case organisations' attempts and efforts in organising voluntary initiatives, particularly education-related initiatives, to investors and the general public.

6.7 Case Organisations' Engagement Initiatives

This section presents some empirical findings of the case organisations' stakeholder engagement efforts with their investors/unit holders and the general public through CSR initiatives and accountability practices and in particular the voluntary financial education initiatives. Table 6.4 summarises the key empirical findings related to the five case organizations investigated in this study; the findings are then explained in more detail in the following sections.

6.7.1 FGU and FGUS

6.7.1.1 Background

As mentioned in Chapter 4, FGU, which is a government-related company, was incorporated in March 1978. It was conceived as a pivotal instrument of the government's New Economic Policy to promote shared ownership in the corporate sector among the *Bumiputera*, and to develop opportunities for suitable *Bumiputera* professionals to participate in the creation and management of wealth.

Through FGU, substantial shares acquired in major Malaysian corporations from funds provided by the *Bumiputera* Investment Foundation were transferred to a trust fund and sold to the *Bumiputera* in the form of smaller units through its investment-arm subsidiary company, FGUS, established solely to manage their unit trust funds. This innovative investment model ensures these shares are retained, resulting in the cultivation of widespread savings habits, and the development of entrepreneurship and investment skills among the *Bumiputera*.

With funds under management totalling more than RM194 billion, the FGU group is the country's leading investment institution with a diversified portfolio of interests that includes unit trusts, institution property trust, property management and asset management. To help achieve the more effective and efficient management and sale of unit trust funds, FGUS was incorporated in May 1979 as a wholly-owned subsidiary of FGU. In addition, FGUS is jointly responsible for educating the *Bumiputera* of the benefits of investing in the proposed unit trusts launched by the government from time to time.

As an integral part of the Malaysian Government's aim to create a balance in the distribution of wealth and to give the *Bumiputera* a stake in the national wealth, initially, only the *Bumiputera* community were able to invest in FGU unit trust funds. Since the 1990s, however, due to changes in the Malaysian socio-economic environment, a few funds have been launched in which non-*Bumiputera* were able to invest. FGU unit trust products are sold through its FGUS agency offices and institutional agents including, for instance, post offices and several local banks around the country in order to optimise accessibility to the unit holders.

Before proceeding with the main findings, the following section provides an explanation of the factors that affect FGUS voluntary disclosure practices, for example, in the mandatory documents and company website.

6.7.1.2 Factors affecting the Practice of Voluntary Disclosure by FGUS

The exploration of the extent of voluntary disclosure in the mandatory documents such as the unit trust fund reports and fund prospectuses suggested that such practice was limited. In general, the highly regulated nature of the industry could explain such a finding. In the interviews, an FGUS accountant directly related the disclosure of information to the industry’s reporting and disclosure framework which to a certain extent affected the amount of additional information provided in the traditional forms of communication channels such as in the fund report or company website. He perceived that the unit trust industry mandatory reporting and disclosure requirements were comprehensive enough to assist the existing and prospective unit holders to make informed decisions. He explained this view as follows:

"Because the SC [reporting and disclosure] requirement is good enough, so if we follow exactly all the requirements there will be no issue or question mark whether we are capable or not, we are capable of managing or not." (Accountant, R15)

He further clarified:

"So the way I look at it, the current information is sufficient enough for the investors to derive whether the fund is performing or not. 'Are they giving the return that I expect? Are they investing in the right direction?'" (Accountant, R15)

A large amount of information about investing in unit trusts is provided on the FGUS website. One section in the website, called the Information Centre, contains basic yet essential information about investing in unit trusts. The provision of this information, however, is encouraged by the SC Malaysia through the Guidelines on Online Transactions and Activities in relation to Unit Trusts which requires a UTMC to have a section educating investors about the mechanisms, benefits and risks of collective investment schemes (Section 7.04). The FGUS website also makes the latest prospectus available to be downloaded by potential investors.

Table 6.4: Summary of key findings

Case Studies/ Key Findings	**FGU & FGUS**	**PSU & WA**	**SSBSU**	**SSU**	**FIMM**
Background:					
Ownership/ sponsorship	Federal government	Private/ Banking	Statutory body	State government	Self-regulatory body
Size	Big	Big	Medium	Small	Not relevant
Year of establishment	1979/1978	1995/1990	1993	1994	1993
Stakeholder Engagement Initiatives:					
1.Accountability- through reporting & disclosure					
a) Voluntary information in mandatory documents (e.g., Funds' report & prospectus)	Very limited	Very limited	Very limited	Very limited	Not relevant
b) Company's website	Investor education section + education initiatives	Investor education section + education initiatives	Investor education section + education initiatives	Very limited	Investor education section + education initiatives

Table 6.4: Summary of key findings (continued)

Case Studies/ Key Findings	FGU & FGUS	PSU & WA	SBSU	SSU	FIMM
2. CSR initiatives	1. Public & investor education initiatives 2. Other CSR programs (e.g., college and students' sponsorship schemes, FGU Foundation, & Training schemes for unemployed graduates)	Public & investor education initiatives	1. Public & investor education initiatives 2. Other CSR programs (e.g., general donations)	1. Public & investor education initiative 2. Other CSR programs Sponsoring free unit trusts (e.g., to students), organising programs for students (e.g., football tournament and opening library in a business college)	Public & investor education initiative

Table 6.4: Summary of key findings (continued)

Case Studies/ Key Findings	**FGU & FGUS**	**PSU & WA**	**SBSU**	**SSU**	**FIMM**
Factors influenced (voluntary) engagement initiatives	Strong financial sources, support from federal government, ability to access to media & availability of experts	Strong financial sources & availability or access to experts	Cost factors	Limited financial sources	Its roles and responsibilities to the members and industry
Underlying reason/motivation of engagement initiatives	Mainly driven by felt (social) responsibility- to the government and to the public	Mainly due to business case motive (e.g., competition, brand recognition)	Mainly driven by company's social responsibility	Mainly due to company's social responsibility/ obligation	Mainly to promote unit trust products

An examination of the FGU website helped to shed some light on other means that have been employed by FGU and FGUS in providing voluntary information. A detailed discussion of these mechanisms is presented in Sections 6.7.1.6 and 6.7.1.7.

6.7.1.3 Social Responsibility

Social responsibility emerged as a theme in the interviews with FGUS officers. Consistent with the interview data, the theme of social responsibility also appeared in several documents issued by FGU, including transcripts of speeches delivered by the CEO and media articles as follows:

> The art of being responsible corporate citizens had long been embedded in the operations of the FGU Group. Our unit trust products offer features which are not commercially viable, but nevertheless of significant importance in achieving the objectives of the establishments of FGU to mobilise savings from the masses. The FGU Group had undertaken the arduous task of competing as a commercial entity in a very competitive industry while shouldering these social responsibilities. (FGU, 2007a, p. 19)

> FGU.... is always aware of its social responsibilities and is committed to the creation of an investment savvy population. It has to be said that although it was set up to encourage the investment habit among *Bumiputera*, FGU's corporate social responsibility activities transcend ethnic boundaries and are participated in by all Malaysians. (FGU, 2007b, p.14)

The evidence indicated that FGU and FGUS viewed their social responsibility as closely related to the objective of their establishment and incorporation as the custodians of *Bumiputera* wealth and their roles to create a balance in the distribution of wealth and give the citizens of Malaysia, especially the *Bumiputera*, a stake in the national wealth. This association can be observed in the following statements:

> One should also bear in mind the social responsibility of FGU as the custodian of *Bumiputera* corporate wealth, so profitability and prudence have to go hand in hand. (FGU, 2007b, p.11)

> The role of FGU combines two aspects that do not always come together well. FGU is both a commercial organization, with a duty to provide the best returns for its unit holders on whose behalf we manage their money, as well as a social organization, with the aim of preserving and growing the wealth of *Bumiputera* and Malaysians in general. (FGU, 2008b, p. 32)

As confirmed in the interview sessions with representatives from FGU and FGUS, the organisations were incorporated to execute the Malaysian Government's national agenda. Thus, the interviewees claimed that their objectives are different from the goals of other UTMC as they are not solely profit-oriented. Instead, they have a bigger agenda which is to educate the general public in order to create awareness about the importance of financial planning and investment in general. The combined commercial and social agenda to educate Malaysians is stated in the FGU annual reports:

> Our unit holders come from all walks of life and incomes at every level, so FGU has a social responsibility as well as a commercial one. (FGU, 2010, p. 9)

> The intention with this strategy is to not only provide competitive returns to unit holders, but to educate the public on the techniques and mechanisms of investment. (FGU, 2008a, p. 25)

> As the leading fund manager in Malaysia, FGU has also led the way in investor education, hosting financial planning seminars, talks and workshops to spread knowledge of the importance of financial planning and investment in general. (FGU, 2007a, p. 14)

In addition, FGU and FGUS would like to provide investment opportunities to all *Bumiputera*, including the poor, and distribute the country's wealth via dividend distributions or capital appreciations of the investment. Since the 1990s, however, due to changes in the Malaysian socio-economic environment, several funds were launched in which non-*Bumiputera* were able to invest.

As discussed in later sections, FGU can be seen to have 'operationalised' its social responsibilities through its CSR programs in which educational-related activities and events have become the main thrust. FGU, in addressing its social responsibility, sees itself as more than an ordinary company which tries to balance its commercial objective and social responsibility through CSR programs and reporting. Its efforts in 'giving back' to the community involve almost every aspect of the organisation including its business model. It envisages itself not only as an institution responsible to help improve the economic status among Malaysians, particularly the *Bumiputera* by, for example, distributing consistently good investment dividends. It sees itself as a 'social entrepreneur' with an important role to fundamentally change society for the better through an integration of several strategies or actions, as discussed further in the following sections.

6.7.1.4 Social Entrepreneurship

FGU sees itself not only as a commercial entity but also as a social organisation and an agent of change. With this significant role, it has labelled itself as a "social entrepreneur, an institution that is profit-oriented, yet at its core has a humanitarian and social mission" (FGU, 2009b, p. 18).

In this context, FGU assumes a greater task beyond meeting a particular (economic) need by playing a significant role which fundamentally changes society for the better. In line with the "social entrepreneur" tagline, this change, however, is driven not by pure welfare principles, but through the application of entrepreneurial principles to the problems of society. This was stressed by FGU's CEO in one of his speeches as follows:

> FGU and its unit trusts represented an innovative and system-changing approach towards increasing and sustaining *Bumiputera* involvement in the country's corporate sector. ... FGU's impact therefore was much larger than that of just the creation and custodianship of wealth for *Bumiputera*, but extended benefits to the rest of Malaysian society as well. (FGU, 2009b)

FGU describe its role as an agent of (social) change through the analogy of someone who is not only 'giving fish' through a consistent record of providing returns, but also 'teaching how to fish' through its efforts in educating the public on the necessity, methods and tools of financial planning, as well as 'revolutionising the fishing industry' by innovating the conventional unit trust scheme to fit the requirements of society, and through its role in developing the Malaysian unit trust industry (FGU, 2009b, p. 21). From a broad perspective of corporate or business responsibility perspective, through these actions, FGU has not only discharged its narrow financial responsibility but has also discharged broader, social responsibility downwardly and holistically to the public/community.

Under the "social entrepreneur" tagline, the FGU business model is geared towards generating wealth to help the poor in particular. With that in mind, FGU designs its funds in a way which enables FGU to reach markets from every angle including components that are neglected by the profit-driven financial sector, such as rural communities. Thus, it opens opportunities to individuals who otherwise would not qualify to invest to take part in the Malaysian capital market. The business model that is regarded by FGU as a social orientation business model has been put in place by employing what FGU calls the "White Ocean[38]" strategy.

[38] White Ocean strategy, in contrast to the Red Ocean and Blue Ocean strategies introduced by W Chan Kim and Renee Mauborgne in 2005 that are purely profit orientated, is a business strategy which bears resemblance to the famous Blue Ocean strategy, but has a social orientation.

6.7.1.5 Social Orientation Business Model: White Ocean Strategy

"White" in the FGU context refers to the goal of achieving change for the betterment of society, not necessarily focusing purely on profitability, although that can and should be a by-product of a successful "White Ocean" approach. This model and strategy has been adopted by taking into account that the target market for FGU's unit trust products is the rural poor with low levels of income and savings, who have little to no knowledge of investment. In order to enable and encourage this target market to participate in its unit trust schemes, FGU has made some sacrifices in order to overcome the barriers to its "White Ocean" strategy. These barriers and sacrifices include (FGU, 2009b, p. 12):

i. The low initial investment means that, since many could participate, FGU would have to deal with many accounts of small value, which can be difficult and expensive to manage. In addition, investment limits are imposed to ensure that more people would participate and not only the rich would benefit. This effectively places a ceiling on the value per account.

ii. The AS fund scheme is offered to individuals only; companies are not allowed to participate. This limits the market in which FGU can receive funds.

iii. The fixed price aspect means that all investment risk falls on the fund manager and not on the investor, which any reasonable fund manager would reject immediately.

iv. On-the-spot redemption exposes the fund manager to liquidity risk, since fund assets are held in long-term securities, but liabilities are all on demand.

v. Very few Malaysians understand equity investment or unit trust investment. As a result, FGU also needs to educate the public on the benefits and risks of unit trust investment.

As discussed earlier, FGU meets its social responsibility by integrating several major components or aspects of the organisation. First, at the very core of its business, the White Ocean strategy was designed and implemented to enable its main target market, the poor *Bumiputera*, to take part in the capital market through its unit trust schemes. This has also been undertaken in order to encourage long-term saving or investment habits. Moreover, FGU has well-designed, integrated CSR programs that it regards as part of its contribution as a nation-building partner. The education element has become a priority agenda in almost every FGU CSR programs, as discussed further in the next section.

6.7.1.6 Nation-Building Partner: Corporate Social Responsibility Programs

Driven by its social responsibility to the country, the general public and investors, and as part of its initiatives to 'give back' to these stakeholders (FGU, 2007a), FGU has organised or is engaged in a number of CSR programs. Through these programs, FGU sees itself as helping the government and the country build an investment-literate society which will, in turn, help boost the drivers towards developed nation status in accordance with Malaysia's Vision 2020[39]. Since 1998, FGU has increased its CSR initiatives particularly in the area of education for all levels of Malaysian society (FGU, 2009a). Its core CSR programs consist of public and investor education initiatives, college and students' scholarship programs, the FGU Foundation, and training schemes for unemployed graduates. Each of these programs is discussed separately as follows:

[39] Vision 2020 was set out by Prime Minister Dr Mahathir Mohamad in 1991 for Malaysia to become a fully developed country by 2020.

1. Public and investor education initiatives

Although FGU was set up to encourage the investment habit among the *Bumiputera*, FGU's CSR activities go beyond ethnic boundaries with participation from all Malaysians. The key focus in this case is education. FGU regards public and investor education initiatives as vital to its nation-building effort to achieve an investment-savvy society in Malaysia. A number of investment and financial planning education programs and events have been carried out for more than a decade with "Minggu Saham Amanah Malaysia" (MSAM; Malaysian Unit Trust Week) becoming the showpiece of this effort. FGU's education initiative is not a response to the SC Malaysia call to educate investors, as the organisation was conducting these activities as part of its mission beforehand (Ebrahim, 2003b). Section 6.7.1.7 provides a detailed explanation of FGU's public and investor education initiatives.

2. College and students' scholarship programs

The FGU College was established in 1998. It was set up for bright and deserving students from underprivileged families to continue their studies at secondary level. These students have the potential to excel in academia but do not qualify for government scholarships. FGU gives them the opportunity to continue their studies in good facilities. Students of this college who excel in the Sijil Peperiksaan Malaysia (SPM; Malaysia Examination Certificate) examination have the opportunity to receive FGU scholarships to pursue their degrees abroad at UK and Australian universities. As with other CSR activities, this college is open to all Malaysians. With respect to the scholarship programs, FGU offers scholarships to SPM certificate holders who have attained excellent results in order to pursue their undergraduate, post-graduate and professional courses through the FGU Global Scholarship Award, FGU Scholarship Award and YTI Premier Scholarship Award (FGU, 2009a).

3. FGU Foundation

The FGU Foundation was established in 1999 to promote tertiary and professional education; it awards scholarships, has established professorial chairs at local universities and funds other educational and charitable purposes such as awarding research grants to selected higher learning institutions (FGU, 2009a).

4. Training schemes for unemployed graduates

Two training schemes have been introduced in order to equip unemployed graduates with marketable skills. The first scheme was launched in 2007 with the objective to retrain unemployed graduates in order to improve their analytical, problem solving and effective communication skills for better marketability in the job market. The second scheme, in collaboration with the Malaysian Ministry of Higher Education, was introduced in 2009. The aim of the scheme was to equip candidates with technical skills and knowledge in investment, unit trust, Islamic banking and takaful[40], together with effective communication and other soft skills in order to increase the candidates' marketability.

With regard to the voluntary education initiatives for investors and the general public, evidence from the document review and interviews suggested that both FGU and FGUS have been very active in engaging with the public/community through educational-related activities, events and programs. They have organised an array of financial and investment education activities, events and programs with the objective to educate the public about financial planning, investment and unit trusts. The next section discusses in detail the public and investor financial education undertaken by both FGU and FGUS.

[40] An Islamic insurance scheme which requires members to contribute money into a pooling system in order to guarantee each other against loss or damage. The takaful scheme is different from conventional insurance as it goes against the riba (interest), al-maisir (gambling), and al-gharar (uncertainty) principles, that are outlawed in Sharia, Islamic religious law. (Adapted from www.investopedia.com 4 September 2012)

6.7.1.7 *Public & Investor Financial Education*

As a government-linked investment manager, FGU and its subsidiary, FGUS, assume a key role in creating an investment-savvy society (FGU, 2007a, 2008a, 2009a). The role comes with the twofold objective of promoting the understanding and use of unit trusts as a key investment mechanism in an individual's financial planning as well as in the development of the industry itself. As mentioned earlier, FGU sees itself as more than an investment manager but as a social entrepreneur, an institution that is profit-oriented, yet at its core has a humanitarian and social mission (FGU, 2009b).

The combined roles may explain why FGU is passionate in conducting various kinds of education-related voluntary initiatives for the public and investors. In addition, FGU believes that investor education is the keystone of a successful strategy to mobilise funds for investment from the community over the longer period (FGU, 2008a). From this aspect, FGU sees the importance of investor education to create awareness especially among less educated people about the importance of savings and investment.

Moreover, FGU believes that inculcating savings habits and knowledge of investment in the young is a critical part of the country's aspiration to become a prosperous and dynamic society (FGU, 2008a). In addition, as the target market for their unit trust schemes is the rural poor, there is a concern that this target group has little or no knowledge of investment (FGU, 2009b); this concern then becomes one of the drivers of FGU education programs in order to address this issue.

For more than two decades FGU and FGUS have been conducting various educational-related voluntary initiatives targeting important segments such as schools, higher learning institutions, and government agencies as well as the entire public. The voluntary education initiatives programs or events consist of:

- Minggu Amanah Saham Malaysia (Malaysian Unit Trust Week) has been held since 2000. This annual event is the largest investment information event in Malaysia and aims to increase investor and public confidence and education. The event was awarded the "Crystal Award" by the Institute of Public Relations Management in 2004 (FGU, 2008b) and has attracted over a million visitors. The event is held in a different part of the country each year to enable more Malaysians to participate.

- Kelab Pelaburan FGU (FGU Investment Club). The club was launched in 2000 with the aim of creating awareness through guided investment education activities to secondary school students. It also aims to expose members to financial planning and investments, as well as to engender in them the principles of prudence and thrift as marks of the new generation of Malaysians (FGU, 2009a, 2008b).

- The 'Along Bijak' or Wise Along television programme is dedicated to young children. It aims to instil a love of mathematics in children as young as six, based on the recognition that proficiency in mathematics is vital in understanding the principles of finance and investment (FGU, 2008b).

- The Investment Quiz is an annual quiz competition held as part of an FGU integrated education programme targeting three specific groups, namely, secondary school students, higher learning institutions, and government agencies (FGU, 2009a). This quiz competition is organised to present information on financial planning and unit trusts in a way that motivates participants to learn.

- Through the 360 Days Investment Seminar programme, FGUS conducts financial planning workshops throughout the year which are free for the public to attend. Information about dates, venues and contact details can be found in local newspapers (FGU, 2008b).

- FGU and FGUS contribute to educational-related articles in one of the highest circulation local newspapers in order to reach as many target readers as possible (Newspaper articles, Sinar Harian, various dates).

In short, in meeting their social responsibility, which is part of their mission, FGU and FGUS have 'operationalised' serious commitment into actions through an array of voluntary initiatives including educational-related activities, programs and events for the betterment of society in general and the *Bumiputera* in particular. The next section presents and discusses some empirical findings of the next case organisation, PSU and WA, with respect to voluntary disclosure practices, CSR and financial education initiatives of the case.

6.7.2 PSU and WA

6.7.2.1 Background

PSU was established in 1995. It is one of the largest asset management companies in Malaysia. It has also set up a business in three neighbouring countries: Singapore, Indonesia and Thailand. It aims to be Southeast Asia's most valued investment management company. It has launched and distributed a range of unit trust funds, as well as managed customised portfolio mandates for corporations and institutions.

PSU is jointly owned by CIM Group, one of Southeast Asia's leading universal banking groups, which holds 60 percent of the ownership, and the PF Group, a NYSE-listed global financial service company, which owns the remaining 40 percent. Based on its ownership structure, PSU can be broadly classified as a private-sponsored UTMC. In 2011, PSU was awarded the 'Best Fund House' by Asia Asset Management in its 'Best of the Best Country Awards 2010'. PSU unit trust products are distributed through several channels including WA, also a subsidiary of CIM Group.

WA was incorporated in 1990 and has grown to become one of the largest retail distribution arms in the financial services industry with a sales force of approximately 4,600 FIMM registered consultants and financial planners. It distributes not only PSU unit trust products but also unit trust funds manufactured by other management companies and, therefore, WA regards itself as a unit trust funds 'supermarket'. Furthermore, as WA aims to be a one-stop financial services provider, it also offers other financial products such as insurance protection solutions and provides personal financial planning advice. PSU and WA have been working together to undertake financial education initiatives to investors and the general public.

Similar to the analysis above for FGU and FGUS, the next section discusses the factors that affect the practices of PSU and WA in providing voluntary information, for example, in mandatory documents and company websites.

6.7.2.2 Factors affecting the Practice of Voluntary Disclosure – PSU and WA

Similar to FGU and FGUS, there is a little evidence to suggest that PSU and WA provide voluntary information in mandatory documents. On the company website, however, visitors can go to the investor education section to obtain quite a lot of information about unit trust investment. As mentioned before, the provision of this information is not unexpected as the SC Malaysia (through the Guidelines on Online Transactions and Activities in relation to Unit Trusts) encourages companies to provide a section on their websites dedicated to educating investors on the mechanism, benefits and risks of investing in collective investment schemes. The evidence gathered from scrutinising several mandatory documents consisting of fund annual reports and prospectuses shows that both mediums provide very limited voluntary information.

The factors that affect the voluntary disclosures by PSU and WA were specified by one of the interviewees (Compliance Officer, R17) as follows:

i) Before any additional information can be provided in the mediums that can be accessed by the public, it has to go through the PSU Compliance Department to ensure that the information does not breach any relevant SC Malaysia guidelines:
"All these materials have to go through the compliance unit to look through to ensure that everything is in line with the advertisement guidelines."

ii) Information provided in the marketing and advertising documents must be extracted from an authorised prospectus:

"And then we also have our brochure, we can come out with our brochures, newspaper advertisements. But all these things must be based on the prospectus."

The empirical evidence, however, suggested that PSU and WA do provide voluntary or additional information but in slightly different ways. This information was provided in different forms of mediums which were oriented towards investors and public education. This practice is discussed further in the following sections.

6.7.2.3 Corporate Social Responsibility Programs

Based on the evidence, it was found that one of the main CSR programs undertaken by PSU and WA was a voluntary and free financial education initiative for unit holders and the general public. PSU had also taken part in several other community activities as part of the CIM Group. These activities, however, were reported in a PSU holding company's annual report, CIM. This was explained by one interviewee from PSU:

"We have done a lot in our part on CSR. I think talk about our involvement I think we do something like charity to the orphan house and then we do some river cleanings. Those are our activities. We haven't disclosed such voluntary CSR that we do. Because we are part of our group okay. So it is being covered by the annual report of CIM." (Associate Director, R16)

The voluntary and free financial education initiatives of PSU and WA are undertaken mainly through the publication of articles and a newsletter as well as investment seminars. The PSU and WA financial education initiatives are discussed in the next section.

6.7.2.4 *Public and Investor Financial Education*

PSU and WA work together to undertake the financial education initiative, with PSU mainly focusing on the publication of voluntary documents such as an investment newsletter. The newsletter, called 'Investors Circle', is issued every four to six months. The newsletter can be accessed from the PSU website, thus, it is also accessible by potential investors or anyone who wishes to read the newsletter. The newsletter updates investors on current economic and market conditions or trends, and products that the company offers. It also contains educational-related articles.

In addition to the newsletter, PSU has made its fund fact sheets available on its website. The issuance of fund fact sheets is voluntary but it is considered an industry practice. The fund fact sheet contains precise yet essential information about particular unit trust funds and, typically, is updated monthly.

As part of the group educational efforts, PSU has also issued a five-series investment educational article published in the media fortnightly in two of the country's leading newspapers and in investment magazines in order to reach out to a wider group of investors and the public. These articles were first published concurrently when PSU's Flagship Fund campaign was launched in October 2008. Additionally, WA also issued a number of educational articles in the country's leading newspapers in three languages (Malay, English and Chinese) and in investment magazines for the same reason of reaching out to a wider group of investors and the public.

Furthermore, for the past several years, WA has conducted free public investment seminars which are held in large cities, aiming to educate and expose the seminars' participants to relevant investment and financial planning topics. The seminars have also been used by WA to update the participants on current economic issues and conditions. The organisation has claimed that the response to these seminars is tremendous (PSU, 2009). The seminars are conducted in English, and aim to assist investors and the general public to be able to understand and digest information provided to them through mandatory documents, for example, the fund annual or interim reports. This was explained by one of the interviewees as follows:

"*The public, yeah. This is, reflect to their education background. They are not in financial background so they may not understand what actually we are presenting to them. So this is one of the challenges that we have." (Investment Executive, R3)*

In 2009, the PSU group's education efforts received recognition as the company was awarded the "Most Innovative Award for Investor Education" by Asia Asset Management for its exceptional education initiatives in 2008 in creating awareness amongst investors on unit trust investment. Among the initiatives that enabled PSU to win this award was the commissioning of an in-depth market audit of the Malaysian unit trust industry and the public perception of the industry.

The PSU and WA financial education initiatives which are mainly undertaken through investment seminars and the issuance of several voluntary publications would be able to create awareness on unit trust investment among Malaysians. The following section presents and discusses the empirical findings with respect to the voluntary disclosure practices, CSR and financial education initiatives of the third case organisation, SBSU.

6.7.3 SBSU

6.7.3.1 Background

SBSU is a wholly-owned subsidiary of MAR Investment Berhad (formerly known as SMB). MAR Investment Berhad, owned by the statutory body, MAR, is one of the pioneers in the unit trust industry in Malaysia with more than four decades of experience in unit trust and asset management. Due to changes in the industry regulatory framework, SBSU was incorporated in January 1993 to manage and sell unit trust funds previously held under MAR Investment Berhad. One of SBSU's missions is to provide the best quality investment and extensive financial advisory services on par with the top fund management and unit trust management companies in Malaysia (SBSU, n.d.).

SBSU is a licensed fund manager and an Institutional Unit Trust Adviser (IUTA), approved to market third party unit trust products. SBSU is also one of the approved fund management institutions for the Employee Provident Fund Investment Scheme. At the time of writing, SBSU managed third party funds and 14 unit trust funds with a total fund size of 2.64 billion units. Thirteen of these funds were open to all races; two can be invested in only by *Bumiputera* (the *Bumiputera* Capital Fund and *Bumiputera* Capital II) (SBSU, n.d.). The investment policy of these two funds is in line with the ultimate objective of incorporation of SBSU's parent company, which is to encourage, facilitate and undertake economic and social development activities in Malaysia particularly in the rural areas (MAR, 2012). SBSU unit trust products are sold through its headquarters and agency offices and individual unit trust agents who are registered with FIMM. The next section discusses the factors that affect SBSU's practices in providing voluntary information.

6.7.3.2 Factors Affecting the Practice of Voluntary Disclosure by SBSU

As discussed earlier, similar to the previous case organisations, the SBSU practice of voluntary disclosure in the mandatory documents such as fund prospectuses and fund annual reports is very limited. The SBSU website, however, contains several voluntary items including one section called the "resources centre" that is dedicated to investors and other visitors and contains additional basic, yet essential, information about unit trust investment. Other items available on the website include voluntary publications such as featured articles and a video gallery.

Two factors, similar to the factors for PSU and WA, that affect SBSU's voluntary disclosure practice, were explained by one interviewee from the company (Compliance Officer, R12):

i) Before any additional information can be provided in the mediums that can be accessed by the public, it has to go through the Compliance Department to ensure that the information does not breach any of the SC relevant guidelines:
"We get things through, so almost everything we review first hand."

ii) Information provided in other communication channels including the website must be extracted from an authorised prospectus:
"We cannot depart from what is disclosed in the prospectus. So basically we must make sure that the information is the same, what is in the prospectus and website is the same."

Similar to the previous case organisations, further investigation suggested that SBSU did provide voluntary or additional information but in a slightly different way. This information was provided in different forms of mediums which were oriented towards investors and public education. This practice is discussed further in the following sections.

6.7.3.3 Corporate Social Responsibility Programs of SBSU

The evidence suggested that voluntary financial education for the investor and general public was the main CSR programme carried out by SBSU. In addition, through its takaful scheme which provides financial protection to unit holders of certain SBSU unit trust funds, the organisation has paid compensation to families of deceased unit holders (SBSU, 2011). SBSU also donated money to less-fortunate students and children (SBSU, 2011).

The SBSU voluntary financial education initiative is undertaken through its 'Hari Penghargaan Pelabur' ('Customer Appreciation Day'), programs with media as well as publication of articles on unit trust investment. The SBSU financial education initiatives are discussed in the next section.

6.7.3.4 Public and Investor Financial Education by SBSU

Similar to the first two case organisations, the empirical evidence suggested SBSU had provided voluntary or additional information through different forms of mediums as part of the organisation's engagement with stakeholders. The company issues fund fact sheets for all its unit trust funds which can be downloaded from its website. The fact sheets contain essential information presented in a precise manner so that it is easy to be understood by the readers.

The information provided in the fund fact sheet includes, for example, fund investment objectives, investor profile, fund investment strategy, fund risks, and the fund performance record. To update the investors, the company issues two additional publications, namely, a daily digest and economic updates, which are also available from the website. These documents provide investors with the latest updates on business, market and economics. The company has also published several articles about unit trust investment that can be accessed through its website. These articles discuss, for example, the benefits and types of unit trust funds in Malaysia.

As another means of engagement with its investors and potential investors, SBSU holds the 'Hari Penghargaan Pelabur' annually. The event has been conducted at its headquarters and its five regional branches. Activities including talks, seminars and updates, as well as individual meetings with customer service personnel to update accounts, are conducted during the event. SBSU has also taken part in its holding company's educational carnival, providing SBSU with the opportunity to engage with the general public directly and educate them about the concept, benefits and risks of unit trust investment.

SBSU also works with the mainstream media or TV channels where the CEO of SBSU participates on a panel in educational-type segments to talk about topics such as money management, financial planning and investment. Through these programs, SBSU aims to create awareness among the general public about the importance of money management and financial planning, as well as investment. The videos of these segments are available from the SBSU website. With regard to the types of knowledge or information disseminated by SBSU, the initiative has provided quite rich knowledge about unit trust investment with some coverage about financial planning.

Through its small-scale financial education initiative, SBSU has proved that financial constraints are not a reason for a private sector organisation not to contribute to the betterment of society. SSU, the fourth, small size case organisation is another example of a Malaysian UTMC that shows a 'big heart' in undertaking voluntary initiatives for the community. The next section presents and discusses the empirical findings with respect to the voluntary disclosure practices, CSR and the financial education initiatives of SSU.

6.7.4 SSU

6.7.4.1 Background

The SSU unit trust fund was launched in February 1995 as an integration of a genuine effort of the state government of KDH to meet its goal of improving the socio-economic status of *Bumiputera*. The SSU unit trust fund provides an investment mechanism in compliance with Islamic law (Sharia) with the intention to distribute and disseminate state and national sources of wealth to the majority *Bumiputera* community in a more fair and equitable manner (SSU, n.d.). This objective, however, is difficult to fulfil as the SSU unit trust fund performance was badly affected by the 1997-1998 Asian financial crisis.

After the crisis, the market price of the unit trust funds of seven state-sponsored UTMC, including the SSU fund, dropped between 50 to 70 percent from the initial price or par value of RM1[41] (Utusan Malaysia, 2001). Efforts including investment portfolio restructuring (Utusan Malaysia, 2002) and capital injections from the state governments were undertaken to help to increase the price. Despite these efforts, two state unit trust funds were closed or sold to other parties (Utusan Malaysia, 2002; 2004) and SSU was one of the five state UTMC which remained in business. The price of the unit trust funds of the surviving funds, including SSU, was still below the par value of RM1 at the time of writing. The poor performance of the funds has, to some extent, affected the confidence of the existing unit holders and the general public and *Bumiputera* community regarding the ability of a state-sponsored UTMC such as SSU to manage funds (Utusan Malaysia, 2002). SSU's unit trust fund can be purchased both at its office and during road shows.

6.7.4.2 Factors Affecting the Practice of Voluntary Disclosure by SSU

Differing from the first three cases, the evidence suggested that SSU demonstrated no or very limited voluntary initiatives or disclosure practices in the fund annual reports and prospectus and on the company website. It has a very simple website with no specific section for investor education. However, the website provides relevant links to other websites such as the Central Bank, or links to economic news and general statistics. Similar to FGUS, one of the factors that affect SSU voluntary disclosure practices relates directly to the reporting and disclosure framework of the industry. The fear of breaching any relevant legislation is another factor that affects such practice. These two factors were expressed in the following points made by an interviewee from SSU (Compliance Officer, R10):

i) The company perceives that the SC reporting and disclosure requirements are comprehensive enough to assist existing and prospective unit holders to make informed decisions: *"At this moment the minimum information requirements are quite sufficient. I think it is quite sufficient. Additional...because the minimum requirements have covered everything that is needed by the unit*

[41] Equivalent to GBP0.20 (assuming the exchange rate is GBP1 = RM5).

holders. Additional information is very occasional. But I think it is sufficient with the minimum information requirements."

ii) There are concerns about penalties if the information breaches any of the relevant SC Malaysia guidelines: "*Why we say that is because as a fund manager we are quite worried about the penalty because the SC have listed down the minimum requirements of information that we have to disclose. Sometimes we worry the additional information that we provide is wrong. So normally we will only provide the minimum required information. Unless there is very important information, then we will disclose the additional information*."

Evidence from the interviews and document review, however, suggested that SSU had been engaging in voluntary disclosure practices by meeting the investors and the public face-to-face through road shows as well as its other CSR initiatives, as discussed in the following sections.

6.7.4.3 Corporate Social Responsibility Programs of SSU

The evidence suggested that, since its inception, SSU has been committed to organising programs for the community. Driven by its sense of responsibility, SSU has undertaken several CSR initiatives as a means of engagement with stakeholders, particularly its investors and the public. SSU's CSR initiatives consist of:

1. Public and investor education initiatives (discussed further in the next sub-section).

2. Sponsorship of free unit trusts – As part of its efforts in meeting its (social) responsibility to the state and the community as well as to expose young people to the importance of savings and investment, SSU sponsors a free unit trust, for example, to students who excelled in their examinations.

3. Organising programs for youth – From time to time, SSU also organises programs or events that might contribute to positive life among youth. These programs and events include, for example, a secondary schools district football tournament and

motivation programs. SSU works to expose and educate the younger generation about unit trust investment by indirectly undertaking some of these initiative as SSU unit trusts were awarded as part of the prizes in some of the programs. In a secondary schools' district football tournament, for example, the winners were awarded with hundreds of SSU unit trust funds in order to introduce the concept of unit trust investment among the students and to encourage them to save from a young age.

6.7.4.4 Public and Investor Financial Education Initiatives Undertaken by SSU

Two education initiatives have been undertaken by SSU in order to educate its investors and the public. The first initiative is an investment talk for students and parents in selected schools, particularly schools located in rural areas and on the outskirts of towns. The second initiative is a road show, which SSU uses as the main means of direct engagement with investors and the public.

The road shows are carried out throughout the state to meet face-to-face with investors and the public. These road shows are a venue for SSU to verbally explain and educate people about investment in unit trusts. In addition, the roads shows are used by SSU to update investors as well as the public about any development of the industry. SSU claims that the road shows also provide an opportunity for investors or the public to ask representatives of the company about any matters or issues about unit trust investment.

The role of the road shows, as one medium of stakeholder engagement, was described by an SSU officer as follows:

"Besides managing the funds, we also have to educate our unit holders. Not all are aware about the industry or the development of the industry. So when we have road shows we go outstation we will verbally explain to the visitors about the development of the industry or whatever that is relevant to them. Normally when we meet them we will tell them whatever they want to know." *(Compliance Officer, R10)*

Similar to SBSU, SSU's main constraint or challenge in undertaking voluntary initiatives for stakeholders is its financial position. This constraint, however, does not stop SSU continuing to undertake albeit small-scale voluntary initiatives including the financial education initiative for the unit holders and the wider community. In the next section, the financial education initiatives of the fourth case organisation, the self-regulatory organisation (SRO) FIMM, are discussed.

6.7.5 FIMM

6.7.5.1 Background

As mentioned in Chapter 4, the Federation of Investment Managers Malaysia (FIMM) was incorporated initially as the industry trade organisation in 1993. In February 2011, however, FIMM was recognised by the SC Malaysia as a self-regulatory organisation (SRO) for the unit trust industry. As an SRO recognised under the Capital Market and Services Act 2007, FIMM's role is to regulate its own members while also ensuring that investors are protected and public interests are upheld. FIMM's members are categorised into three groups: ordinary members[42] (unit trust management companies), institutional unit trust advisers, and corporate unit trust advisers. FIMM, entrusted by the SC Malaysia, is the sole institution organising the examination which qualifies individuals to market and distribute unit trusts (FIMM, n.d.).

The FIMM mission is to build the highest level of trust, integrity, standards and ethics for investor security, growth and knowledge in the investment management industry. In addition to its objective to provide information, assistance and other services to its members consisting of unit trust industry players, it also aims to improve the regulatory, fiscal and legal environment for unit trusts as well as to formulate sound and ethical business practices to promote the interests of the unit trust industry and provide investor protection. FIMM is also responsible for promoting public awareness of the benefits and risks of investing in unit trusts.

[42] "Ordinary member" means a corporation which applies for and is granted Membership of the Federation as provided in Article 6 of the Federation's Articles of Association and is registered in the Register of Members of the Federation as an Ordinary Member. (www.fimm.com.my/ordinary_members.asp?cid=100057&zid=100009)

FIMM has issued several standards, by-laws and guidelines for its members. These include Investment Management Standards, Code of Ethics and Standards for Professional Conduct for the Unit Trust Industry which help to govern the conduct of its members and uphold the good image of the industry.

6.7.5.2 Roles and Responsibilities: Members, Investors and the General Public

During the interviews with FIMM representatives, several responsibilities to its members were identified, including the responsibility to develop the industry, and to take up any emerging issues with the regulators or relevant government agencies in order to facilitate the development and growth of the industry. In addition, as mentioned in the interviews, FIMM's responsibility to investors and the general public includes enhancing investor protection, helping resolve investors' complaints and improving levels of financial literacy so that the public and investors are more aware about unit trust investment.

The document review revealed that FIMM's responsibility to its members as well as to public investors was fulfilled by conducting and organising necessary and relevant activities. Evidence from FIMM annual reports (FIMM, 2010, 2011) and the FIMM website suggested that FIMM was very active in organising free seminars on a nationwide basis to its unit trust consultants to keep them up-to-date on current developments and to build on their knowledge and skills. FIMM also engaged the investing public through its public media campaigns, mainly via radio commercials and brochures promoting unit trusts as a long-term investment (FIMM, 2010, 2011). Moreover, FIMM had set up a complaints bureau to address complaints from investors. To FIMM, the ability to promptly address issues raised by investors and the public ensures investors' faith and confidence in the unit trust industry (FIMM, 2011).

6.7.5.3 Corporate Social Responsibility Programs

Apart from the responsibilities discussed above and the education initiatives discussed below, the evidence suggested that FIMM did not implement CSR programs.

6.7.5.4 Investor and Public Education Initiatives

Not many FIMM education initiatives were identified during the interview with its executive director. However, evidence from the document review painted a different picture. FIMM's efforts to educate the investing public are mainly done through its public media campaigns. It has actively engaged in communicating to the public on the benefits of unit trust investment and promoting unit trusts as a long-term investment.

In 2008 and 2009, FIMM focused its public media campaigns via billboards and radio commercials. In addition, in 2008, FIMM increased the unit trust consultant educational activities and seminars. When the market crashed in 2008, FIMM aired six different radio commercials to promote investors' awareness and confidence in unit trust investments with two of the slots being specifically developed to explain how the market conditions at that time affected investments and to reassure investors that all would be well in the long term.

This effort continued in 2009 and 2010, principally through billboards and radio commercials, with the primary message of its public media campaigns being to highlight the advantages that unit trusts offer as a long-term investment. In 2011, this effort was undertaken mainly through the publication of brochures to educate investors on the benefits of investing, their rights and responsibilities, how to be a smart investor, and how to lodge complaints. The aim of these activities was to create an informed investment community (FIMM, 2011).

In addition to its public media campaign, FIMM fully utilised its website as another main medium in educating investors and the public about unit trust investment. One section on the website was dedicated directly to investors. In this section, visitors to the website can learn about unit trust investment by reading the “investors info-zone” and “ABC of unit trusts”; visitors can also listen to the radio campaigns. This section contains FIMM press releases and an FAQ list. Information about complaints procedures is also provided in this section of the website.

Other sections of the website, such as the “news and events” section which contains FIMM updates on the economy or market news as well as its own events, and the “distributor” section which lists the names and contact details of unit trust management companies and other relevant organisations, are also useful in educating investors and the public. The website also provides links to relevant websites such as the SC Malaysia, the Central Bank of Malaysia, and research houses like Lipper, Morning Star and Bloomberg which can be very useful to investors to obtain other relevant news or updates. FIMM also issues an annual newsletter entitled “UT Today” that can be accessed and downloaded through its website. This newsletter contains a number of articles separated into several sections, which discuss issues on industry, products, agency force, tax, investors and ethics. In summary, the FIMM financial education initiatives are mainly carried out via its website and are undertaken with the aim to create awareness about unit trust investment amongst Malaysians.

It can be argued that the scope of the education initiatives undertaken by the case organisations is not clear-cut enough to be regarded as either a marketing, advice, consultation or CSR practice. While the education initiatives could be seen as part of these organisations’ marketing activities rather than as accountability practices, there was evidence revealed in this study to indicate that the education initiatives were part of the CSR practices of the case organisations. However, it is acknowledged that it could be difficult to draw a line between these areas as far as a voluntary education initiative is concerned. As discussed further in Chapters 7 and 8, different case organisations have different motivations and different ways of voluntarily educating and sharing information. The evidence showed that one case organisation did regard the education initiative as part of its marketing programs, and evidence indicating that some case organisations undertook education activities as part of their organisational CSR practices.

6.8 Summary and Conclusion

This chapter presented and discussed the preliminary findings which showed that there was very limited voluntary disclosure in the mandatory reports and documents prepared by the case organisations. These mandated reports and documents provided limited information on non-financial issues such as the social and environmental aspects that may be affected by the case organisations' activities. The findings appeared to indicate the strong influence of formal, economic, upward accountability directed towards the needs of influential stakeholders such as the industry regulator and fund unit holders.

While mandated disclosure that is in full compliance with mandatory requirement could be an effective medium through which to discharge economic, financial and legal forms of accountability to certain stakeholders, mandated disclosure is not sufficient in providing (additional, voluntary) accounts of the other kinds of responsibilities that go beyond the economic and financial responsibilities of the organisation. Without accounting for social and environmental aspects, for example, the mandated reports are arguably not be able to help the case organisations to discharge social and holistic forms of accountability with respect to accountability relationships with the same or different stakeholders. This study therefore considered other sources including face-to-face interviews with representatives from five case organisations to gain some insight into their CSR and accountability practices and mechanisms, as means of stakeholder engagement, that go beyond the boundary of financial and economic matters.

Hence, this chapter has provided some insights into several issues that are important to the Malaysian unit trust industry and relevant to the study. The uncovering of those inter-related issues led to the discussion of the main issue which concerns the CSR and accountability practices and processes of the case organisations, particularly through the voluntary financial education initiatives for the investor and the general public. The findings on the financial education initiatives undertaken by the industry regulator and the industry self-regulatory body were also presented and discussed. The discussion in this chapter was mainly descriptive, with the aim of providing rich descriptions of the case organisations' CSR initiatives and accountability practices. The next two chapters provide a more detailed and critical analysis and discussion of the empirical findings.

CHAPTER 7: CSR INITIATIVES, ACCOUNTABILITY MECHANISMS AND ECONOMIC RESPONSIBILITY & ACCOUNTABILITY

7.1 Introduction

This chapter presents and discusses some empirical findings related to the stakeholder engagement initiatives through CSR programs (engagement in form of action). Besides that insiders' understanding over the concept of accountability and how they discharge the accountability, as means of providing accounts over the various responsibilities that have been fulfilled (or not) to the stakeholders is explored. This chapter also presents and discusses the empirical findings related to the practices of discharging economic responsibility and formal forms of accountability of the case organizations (as opposed to other forms of responsibility and accountability that will be discussed in the next chapter).

Accordingly, this chapter is organized as follows. Section 7.2 provides some analysis and discussion on CSR programs, events and activities of the case organizations. Section 7.3 presents and discusses meanings as well as means of accountability from the perspective of the interviewees. This is then followed by Section 7.4, which presents and discusses the case organization engagement mechanisms with the stakeholders through CSR and accountability practices. The analysis of the key stakeholders of the case organizations is undertaken in Section 7.5. Section 7.6 explores and discusses the influence of economic responsibility and formal, external accountability practices in the industry which is then followed in Section 7.7 summarizing the key findings or issues as presented and discussed in this chapter.

7.2 Voluntary Financial Education Initiative and Other CSR Activities: Some Initial Analysis

This section attempts to provide some discussion on two related themes. First, the discussion is undertaken by comparing and contrasting the CSR initiatives of the case organizations in order to examine the similarities and differences among them. This is then followed by discussion of the voluntary education initiatives that have been carried out by the case organizations with the purpose of examining nature and characteristics as well as identifying possible underlying reasons of the initiatives.

7.2.1 CSR Initiatives

Table 7.1 shows that of the UTMCs studied, some undertake the investor and public education initiatives as part of their CSR programs, whereas others have these initiatives as their only CSR programme. In addition to education initiatives, both federal and state government UTMCs do have other CSR programs. As illustrated in Table 7.1 – FGU, SBSU and SSU have undertaken a number of CSR programs in comparison to the private UTMC, PSU. Thus, the ownership structure of the UTMCs might become the factor that could explain the difference in terms of frequency and intensity of the CSR initiatives undertaken by these UTMCs.

As government-owned/sponsored or government-related UTMCs, possibly the felt responsibility (Fry, 1995) to their stakeholders, such as the government, the investors, as well as the general public, is the main reason motivating both FGU, SBSU, SSU to carry out a number of CSR programs with financial education initiatives as the thrust of the CSR programs. In fact, even other CSR initiatives undertaken by these companies, to a certain extent, are still education-related programs or activities. It is perhaps the ownership structure as well that might explain the reason PSU, other than the investors and the public education initiatives, did not undertake CSR programs. As explained by interviewees from PSU, other CSR programs are undertaken and reported by PSU parent company at the group level.

Table 7.1 Summary of CSR initiatives

Case organization/ CSR Initiatives	FGU & FGUS	PSU & WA	SBSU	SSU
Investor & public education initiative	✓	✓	✓	✓
Setting up a college	✓	-	-	-
Students' sponsorship schemes	✓	-	-	-
Setting up a foundation	✓	-	-	-
Training schemes for unemployed graduates	✓	-	-	-
Sponsoring free unit trusts e.g. to students	-	-	-	✓
Organizing programs for the youth	✓	-	-	✓
Open library to business college university students	-	-	-	✓
Takaful coverage for unit holders	-	-	✓	-
General donations	✓	-	✓	-

The case organization's financial position or source might explain the difference, for example, in terms of scale, frequency, and type of CSR programs undertaken by FGU, SBSU and SSU. Given its strong financial position, it is hardly surprising to observe that FGU is able to undertake large-scale CSR programs such as setting up a college for students at secondary level of formal education. Many, if not all, FGU's CSR programs are long-term or continuous initiatives which last for several years.

This is different from SBSU and SSU where most of its CSR programs are one-off programs or events. This, however, can probably be explained by SBSU and SSU financial position. Prior study has acknowledged how CSR programs are squeezed out due to an organization's financial constraints (Roberts, 2003). Despite this constraint, SBSU and SSU efforts to undertake a few CSR programs, albeit small-scale, could be an exemplar to other UTMCs.

7.2.2 Investor and Public Education Initiatives

7.2.2.1 FGU and FGUS

Examining the nature and characteristics of the public and investor education initiatives of FGU and FGUS suggests that they have quite comprehensive education programs in terms of coverage (full year), target groups, modes of implementation which appear to be very well planned. This voluntary education initiative is quite comprehensive and integrated as it targets each group in the society which includes various important segments ranging from schools, higher learning institutions, and government agencies. The variety of the education initiatives seems to ensure that each of the initiatives complement each other in order to reach as many targets as possible at a nationwide level.

Knowledge or information disseminated through education initiatives covers basic and intermediate investment knowledge, together with knowledge on financial planning and unit trust investment. Their ability to carry out these initiatives may be influenced by several factors such as strong financial sources, continuous support from the federal government as well as accessibility to main media and availability of relevant experts.

In general, identifying the possible underlying reason that motivates FGU to organize public and investor education initiatives and other CSR initiatives is initially quite a straightforward task. This is because they associate all of these voluntary initiatives with their social responsibility to their stakeholders, for example, the government and the general public. They claim, firstly, the objective of their existence or establishment is to play an integral role in achieving the objectives listed under the New Economy Policy - to improve the economy of *Bumiputera* – which has driven them to be (socially) responsible to educate the public. This motivation is explained by one of the interviewees:

"Like I said earlier it is part of our duties to the government. It is part of our duties to the investors of FGU which is to enhance the life style of the Bumiputera *especially, and how we do it, for us we can say part of it involves education, and almost all of the time, the best way to do it is through education. It is how we can help people be aware of the importance of saving and make investors aware of the importance of investment, and to help educate them in the fundamentals of investment." (Compliance Officer, R14)*

An extract from its CEO's speech seems to provide support to the interviewee's view on FGU's role:

It (FGU) is more than just a corporate entity. It is an organization that has been entrusted with a mission, a partner in nation building that has - through its excellent corporate and social practices - helped advance and enrich both Malaysia and her people in more ways than one. (FGU, 2007b)

This scope, however, has been broadened to consider FGU's aim in achieving an investment savvy society in Malaysia with "... *in more ways than one*" might refer to: *"The intention...is to not only provide competitive returns...but to educate the public on the techniques and mechanisms of investment while also achieving social restructuring through the building of an investment-savvy society..." (FGU, 2008, President & Group CEO Statement)*

However, evidence from observing one of FGU's vital annual education events, the MASM, has helped the researcher to unfold secondary – economic and political - motivation underlying this significant education initiative that has been recognized as a national event. From the observation, it seems that the MASM is not simply an educational event in creating awareness among the public about unit trust investment. The MASM is also a venue used by the FGU group to show and share their achievements and contributions - economically and politically - to the country and indirectly to allow the public to be aware that FGU has a strong portfolio of (unit trust) investment. Hence, the message that might be sent to visitors was "believe in us, continuously support us and invest with us as we have an excellent track records and strong investment portfolio". In addition, as a government-linked company, all success stories or achievements made by FGU and its subsidiaries that are 'displayed' to MSAM visitors indirectly reflect the reputation of the government as well.

Furthermore, it seems that MASM has become an excellent sales and marketing venue. For example, FGU subsidiaries are able to market and sell their services e.g. insurance and products e.g. automobiles, as hundreds of thousands of visitors attended the 7-day event. However, what has become a concern was the way the sales representatives promoted their services (mostly insurance products), that seems not in line with the core objective of the event - to educate the visitors. On several occasions that were observed, several sales representatives tried to induce some visitors to buy their insurance services by offering gifts but without conducting a proper consultation session. A proper consultation process, however, was difficult to be undertaken as the exhibition area, particularly the second level exhibition hall, was crowded with too many sales representatives/agents standing along the walkway aggressively trying to promote products to the visitors.

This, however, was not entirely the case as the participation of various government departments and agencies including SC Malaysia in the MASM that was located at the third area of the exhibition area were able to educate visitors with a variety of necessary knowledge, particularly financial and investment knowledge and information through displayed items, explanation, and even simulation quizzes. From the observation, it seems that this area was where the education processes really started to “kick in” which then was integrated with education activities held by FGU and FGUS at the activity area, at the last section of the main exhibition hall.

It is not fair, perhaps to identify FGU education initiatives as secondary or other motives based merely on this single event. Moreover, as noted by Griffin and Prakash (2010), empirically, it is very difficult to know the actual motivation as opposed to the declared motivations behind an action. However, given the reputation, significance and impact of MASM as a national event that has been held annually since 2000 (where every year the opening ceremony is carried out by the Prime Minister), has attracted over one hundred thousand visitors each year (more than one million in cumulative figures), it might be justifiable to suggest MASM, if not all FGU education initiatives, has been organized not only for education purposes, but to secure continuous support and create confidence among the investors and public as well as a means for image or reputation building not only for the company but also for the government.

To some extent, this educational event might reflect Roberts’ (2003) argument that stakeholder engagement initiatives such as CSR is no more than an organizational public relations exercise to enable an organization’s operation to be carried out as usual. The mix of drivers of the event may, perhaps, best be expressed by one of the interviewees when being asked about the reason(s) of organizing MASM:

"Yes, (to create) confidence so they will believe in FGU and they will continue to support FGU and I think that is crucial to sustain, to reap opportunity in the future. We give exposure about FGU to the young generation since they are really young. So then when they grow up and they work they know about FGU and they trust us because we are not like any other ordinary unit trust companies. We have social objectives." (Vice President, R18)

This event, however, has the potential to enable FGU and other organizations that participate to embrace a broader conception of responsibility and perhaps accountability to the stakeholders. MASM, that has attracted millions of visitors (cumulative figure) and enabled direct engagement between the organizer and other participants with the visitors, could really be positioned as an example of engagement effort that has a potential to bring about change to the Malaysian society. On the other hand, while some might argue this as a quite radical idea, the event, could also be positioned as an example of accountability mechanism through 'action' (Gray et al., 2006). The event is highly visible, obviously very important – as it has been recognized as a national event -, and multi-purpose (for educating, for marketing). The MASM, therefore, could be considered to be a potential example of authentic engagement with the stakeholder as a series of educative engagement.

7.2.2.2 PSU and WA

Examining the nature and characteristics of the public and investor education initiatives of PSU and WA suggests that both companies target specific groups by employing specific means. First, the free investment seminars that are declared open to the public; although the seminars are open to everyone, these seminars have been organized only at big cities like in the Klang Valley area and Penang, usually conducted in 'high-class' venues such as hotels. This means only certain groups of people are able to participate, particularly those who live nearby and perhaps who can afford to invest. These people, of course, might be from the middle-income group and not from poor rural areas. In addition, since these 'public' seminars are conducted in English only certain groups of 'public' - who can speak and understand English - will be able to participate and benefit from these seminars.

Finally, in terms of topics covered in the seminars, the evidence indicates that the topics are quite advanced and heavy. Although on one hand covering such advanced topics will be helpful to elevate participants' financial and investment knowledge, on the other hand, discussing or presenting these advanced topics may merely attract certain groups of people to attend these free public seminars. Concisely, taking into account the characteristics of the free public seminars what can be concluded is despite its declared target - the public, open to everyone - this seminar seems to be designed to attract certain (actual) targets most likely possible potential investors.

Next, in regards to the publication of articles in newspapers, journals and magazines, the articles' publication in leading newspapers have been undertaken with the aim of reaching wider target readers as expressed by one interviewee:

"I think you know PSU itself has been writing article after article in The Edge magazine for example in The Star newspaper... we do our part we tell them we share with them about retirement, we do our part, part of our public education initiatives and helping the SC to educate the public as well". (Associate Director, R16)

However, it is argued that the publication of articles in financial magazines and professional journals will only reach a certain group of readers, as admitted by the same interviewee:

"...you are not able to reach out to the mass I mean not many people read The Edge magazine for example... So you talk about that thing with people who are already interested in the business". (Associate Director, R16)

Thus, again, it raises the question of who are the 'public' that these companies are actually aiming at. Meanwhile, knowledge or information disseminated through these means range from basic to advanced topics of investment and financial planning issues that may be appropriate for the intended targets, the investors and the public, which in here can be assumed as potential investors.

Other interesting points are the PSU in-depth market audit of the Malaysian unit trust industry and the public perception of the industry survey, which added with PSU's other education initiatives, has enabled the company to win the Most Innovative

Awards for Investor Education by Asia Asset Management in 2009. For all these efforts, PSU was recognized for its exceptional education initiatives in 2008 in creating awareness amongst investors on unit trust investment.

Evidence, however, suggests that the end result of both initiatives was mainly for PSU's benefit rather than the investors as "*...The survey resulted in a greater understanding of the investing behaviour of Malaysians nationwide, which benefited industry players in meeting the needs of their investors...With the results of the audit, PSU was able to re-focus all training of its unit trust agencies and bank affiliates' sales force to emphasize on an asset allocation approach combined with a regular investment savings habit. This approach was adopted by many investors and success was attained and measured when there was an increase in investors utilizing their EPF*[43] *Members Investment Scheme for unit trust investments."* (Extract from PSU press release, PSU, 2009). This finding, to some extent, reflects Roberts' (2003, p.257) argument that "If ethical conduct is to be judged by its consequences, then the prime beneficiary of this manufacture of appearances is the corporation itself".

In terms of factors that may influence PSU and WA education initiatives, from the evidence gathered, it seems that strong financial sources or financial bases, and availability or accessibility to financial experts are among the factors that have influenced PSU and WA capability in organizing such education initiatives.

Identifying the possible underlying reason(s) that has motivated them to undertake the public and investor education initiatives initially is rather tricky as sometimes different statements were made by the interviewees who, on one hand, claimed that the initiatives were undertaken as part of their responsibility to the public:

"You, yourself, nobody appointing you 'PSU you lead us in unit trust'. Nobody appoint us, but, we as industry player we owe it to the public to do something about it right?" (Associate Director, R16)

[43] Employees Provident Fund, a government pension scheme for government staff.

However, in a later statement made by the same interviewee, different drivers or factors associated with commercial or profit-making motives were mentioned:

"*Should we do nothing while other people do it, you know. If we don't do it other people will do it. So you look at the (news) paper, so many people are crowding the market, so (if) we don't do it we'll be left out. So yeah an external factor of course is competition and it is the market practice everybody does it you know. And even if nobody does it, what's wrong if we doing are it?" (Associate Director, R16)*

The commercially or profit-making driver of their education initiatives is even more explicit in a statement made by the company's CEO which is as follows:

"Going forward, we will continue to educate the public and at the same time offer them a comprehensive series of products that range from domestic and international funds, Islamic and conventional funds, money market funds and bond funds. These factors have enabled us to stand out in the market and we have been duly recognized." (PSU, 2009)

Based on this motive, the education initiative carried out by PSU and WA to a certain extent, reflects Roberts' (2003) concern over CSR initiatives that are carried out merely as a public relations or as window-dressing exercise (Lehman, 2007). They are doing it to be seen as good. Like Roberts, this study observes PSU and WA's voluntary education initiative as

> New forms of external visibility, the desire to be seen to be ethical that they stimulate, and the manufacture of ethical appearance that is the corporate response serve only to facilitate 'business as usual'. (2003, p.257)

In addition, the voluntary education initiative of PSU and WA could be regarded as a symbolic action in the sense that it is undertaken in establishing the company's legitimacy (Lindblom, 1994) or reputation and business case (Thien, 2011). This motive, however, is hardly surprising given the context, nature of the PSU business operation as well as its ownership where financial performance is vital to the survival of PSU business.

Before proceeding with another two case organizations which are medium and small players respectively, it might be helpful to compare and contrast PSU group education initiatives with FGU group initiatives as both are among the main players in the Malaysian unit trust industry. As shown in Table 7.2, the evidence from the first aspect suggests that FGU and FGUS's voluntary education initiatives target a broader group of people encompassing almost all levels of society which covers important segments in the society such as school students to retirees. Meanwhile, for PSU, although some of the mediums used are able to reach a wider target, overall, as discussed and analysed, many of PSU and WA's education initiatives have been designed to target certain groups of people who are, probably, potential unit holders.

In respect of (long-term) drivers of these education initiatives, FGU's felt responsibility (Fry, 1995) to give back to the nation and the society by aiming to play a vital role in building an investment-savvy society has motivated FGU not only to undertake the integrated education initiatives but other CSR programs and events as well. On the other hand, PSU while seemingly struggled to balance its profit-driven motive with its intention to 'serve' the public has been driven mainly by its commercial motive in undertaking its education initiatives voluntarily. However, PSU's effort is a good start and could be recognized as one of best industry practices in line with the SC Malaysia investor education blueprint which encourages market players to take responsibility in educating their investors.

Table 7.2 PSU (and WA) voluntary education initiatives vs. FGU (and FGUS) voluntary education initiatives

Criteria	**PSU & WA**	**FGU & FGUS**
Target groups	Certain groups of people (potential unit holders)	All levels of society/ important segment (from school children to adults)
Types of information/ knowledge disseminated	Focus on unit trust investing/ products and financial planning issues	Financial planning and investment knowledge in general as well as knowledge of unit trust investing/products
Motivation/ Intention	Commercial/profit-driven	Felt responsibility in building an investment-savvy society

7.2.2.3 SBSU

Examining the nature and characteristics of the public and investor education initiatives of SBSU suggests that SBSU education initiatives are not as comprehensive as FGU particularly in terms of range, scale as well as the targeted stakeholders of the initiatives. SBSU's education initiative, however, attempts to reach as many targets as possible given the cost constraint that it faces. This has been done using less costly mediums like its website and cooperating with main media/TV channels. The segment with main media or TV channels is watched by many viewers at one time. The videos of these TV segments are also available from the SBSU video gallery section of its website. Through these mediums, it seems that SBSU has been able to organize its education initiatives in efficient ways.

Based on responses given by the company's CEO, social responsibility was argued as one of SBSU's underlying reasons motivating the company to undertake education initiatives for its investors and the public. Moreover, since SBSU is part of MAR, whereby a statutory body where education in a key initiative, SBSU financial education initiatives can be viewed as an integration of MAR's education key initiative. SBSU also sees its education initiatives as a key part of its overall customer service. These drivers are noted by its CEO as follows:

Driving factors:
i. Part of corporate governance and corporate social responsibility of the company
ii. Key part of overall customer service
iii. Company is part of MAR, where education is a key initiative

(SBSU's CEO, August 2010, via email)

Questioning the effect(s) those education initiatives might have on SBSU, however, it has helped to unfold other (secondary driver(s)) of those initiatives that is related to profit-making motives. Based on the CEO's response, those initiatives are expected to have (long-term) positive impacts including creating brand or product awareness and loyalty. This motive, however, is hardly surprising given the context and nature of the SBSU business operation where financial performance is vital to the survival of SBSU business, although it is owned by a statutory body. In terms of factor or constraints that may affect SBSU's capability in organizing education initiatives for its investors and the public, it is claimed that cost is the main constraint for SBSU in undertaking such voluntary initiatives.

7.2.2.4 SSU

As a small player in the industry, SSU's ability to undertake voluntary education initiatives for its investors and the public is highly dependent on SSU's financial position. Similar to SBSU, cost has become the main constraint to SSU to undertake its voluntary education initiatives on a regular basis. This limitation was expressed by two SSU officers:

"We are not at that level yet compared to other big unit trust management companies. They have a huge number of unit holders and they are quite rich so they have the capacity to distribute through that way (booklet or articles). We are still small and it is costly." (Compliance Officer, R10)

"Do you see our financial position? That is one of the reasons. So we have a tight budget. It means you need to really check whether you have the surplus to do that." (Manager, R11).

Due to financial constraint, SSU's voluntary education initiatives, therefore, are unstructured as it heavily depends on availability of financial source. Thus, the education initiatives are typically undertaken on a small-scale. The target groups of these education initiatives are students from nearby local schools, colleges, and surrounding community/the public. Normally, basic knowledge, information and/or advice about investment and unit trusts will be disseminated in SSU's education initiatives, particularly during investment talks or road shows.

Social responsibility has been claimed as the underlying reason motivating SSU to engage with society by having such programs. This was expressed by one of SSU officers:

"Besides that we have social responsibility. We have to educate people on why they have to invest part of their money in the unit trust. One is for education purposes, saving money for your child's education. We have joint accounts where you can invest with your child. We have social obligation to educate people." (Manager, R11)

He further claimed that *"To me, for us, education is number one. By having programs with schools, with our youth or motivation programs to me we have fulfilled our responsibility to the society. Meaning we have disseminated knowledge through the programs. And then we do engage with the society. They have the right to know regardless whether they want or not, the information has to be disseminated. One more thing it helps them to understand the role of the fund manager." (Manager, R11)*

7.2.2.5 FIMM

Evidence shows that the FIMM's efforts in educating the investors and the general public are mainly carried out through its website and via the publication of its annual newsletter. Through these mediums, the types of knowledge or information that have been disseminated can be categorized into basic knowledge and advanced knowledge. Firstly, basic knowledge includes topics such as benefits, types of unit trust investment, risks, and investors' rights. Meanwhile, advanced knowledge consists of topics or issues covering investment strategies and investment trends.

Although the interviewee from the FIMM claimed that seminars have been conducted by the FIMM for the investors in order to help them to improve their financial literacy, as he expressed *"One more thing when it comes to investors we also try to improve their financial literacy by having programs, by conducting or organizing seminars ..." (Executive director, R4).* The documentation review could not provide evidence to support such claims. On the other hand, evidence was found showing that FIMM has been actively organizing seminars for its unit trust consultants (UTC):

"...were complemented with continued UTC educational activities and seminars, held on a nationwide basis."

(Extract from FIMM 2009 AR, p.8)

"...together with increased UTC educational activities and seminars held on a nation-wide basis."

(Extract from FIMM 2009 AR, p.8)

Other means of stakeholders' engagement, for example, radio slots or billboards are regarded by FIMM as public communication activities rather than education initiatives. With the main purpose of creating awareness among the investors' community and the general public about the benefits, together with advantages of unit trusts as long-term savings and investment vehicles as opposed to other savings or investment instruments. This objective is clearly stated in FIMM's 2008 and 2009 annual report:

"During the year, the Federation had actively engaged the investing public through its public media campaigns, principally through bill-boards and radio commercials promoting unit trusts as a long-term investment..."

(Extract from FIMM 2008 AR, pg.8)

"In the past, the Federation had developed its communication capabilities to inform the public on crucial policy matters, and to create awareness on unit trust investing. The Federation has continued this activity during the year, actively engaging the investing public through its public media campaigns, principally through billboards and radio commercials. The primary message during this campaign was to highlight the advantages that unit trusts offer as a long-term investment, with a wide range of choices, professional management, and the strong regulatory framework governing unit trust products.

(Extract from FIMM 2009 AR, p.8)

These statements are in line with the FIMM interviewee's view: *"There are many other investment options available, buy houses, you want to buy a car, even a hand phone so these are many investment options, alternative investment options which one is the best, try to tell them okay, there are many on the table but why unit trust be able to feed your...your investment goals*." *(Executive Director, R4)*

Despite FIMM's intention to organize public awareness programs to educate the public, (FIMM, 2008, FIMM, 2009, FIMM, 2011) in practice all activities organized by FIMM Education and Seminar Committee, for example, in 2008 were for its members, the UTCs. In addition, evidence shows that FIMM's priority as reflected through its stakeholder's engagement activities is in promoting unit trust products as long-term investments – as one way of servicing its members and the industry - rather than educating or equipping the investors and general public with necessary knowledge about investment. These findings, however, may be justifiable given FIMM's role and responsibilities to its members and the industry.

It might be helpful to compare and contrast the key criteria of the voluntary financial education initiative of the case organizations in order to see similarities and differences. As shown in Table 7.3, seven essential criteria of the initiative namely, the level of knowledge, topics, scope, accessibility, target groups, means of engagement and motivation of the five cases are compared and contrasted. Firstly, all cases, except PSU and WA, disseminate at the minimum basic unit trust investment knowledge. In contrast, much of the knowledge disseminated by PSU and WA is considered advanced knowledge. In terms of topic, there are similarities between FGU (and FGUS) and PSU (and WA) as both cover topics relating to general investment, financial planning and unit trust investment. With respect to accessibility, most of FGU's education initiative is accessible by everyone who is interested to take part, especially the 360-day seminar and the unit trust week. In contrast, many of PSU's education initiatives are mainly accessible by professionals, the middle class and those in big cities.

FGU has the broadest target groups as its education initiative has been designed to address almost every segment in society from young children to the mass public. While both SBSU and FIMM targets existing unit holders and the general public, evidence suggests that PSU has been targeting the professional and middle class people. Given its status as a state unit trust, therefore, it is not surprising to see the target groups of SSU education initiatives are people in KDH state. In line with its target groups, FGU employs the most varied means of engagement in carrying out its education initiative including the unit trust week and the smart investment club. Due to financial constraint, SBSU has employed the least means of engagement in undertaking its education initiative which are investment talks and investment road shows. Finally, evidence suggests that all the government-related case organizations are mainly driven by their felt social responsibility to undertake education initiatives, while PSU and FIMM are mainly driven by business cases rather than felt responsible in undertaking such initiatives.

While CSR programs and activities (actions) allow the case organizations to engage directly with the stakeholders, accountability mechanisms and practices traditionally through reporting and disclosure provide another means of engagement (account-giving). In the next section, insiders' understanding over the concept of accountability and its mechanism is explored and discussed.

Table 7.3 Key criteria of the voluntary financial education initiative

Case Organizations/ Elements	**FGU & FGUS**	**PSU & WA**	**SBSU**	**SSU**	**FIMM**
Level of Knowledge	Basic to intermediate	Mostly advanced	Basic to intermediate	Basic	Basic to advanced
Topics	General investment, financial planning and unit trust investment	General investment, financial planning and unit trust investment	Unit trust investment and financial planning	Unit trust investment	Unit trust investment
Scope	Broad	Broad	Quite broad	Limited to unit trust	Limited to unit trust
Accessibility	Accessible by everyone	Mainly accessible by professional, middle class and those in big cities	Accessible mainly by existing unit holders and the general public	Accessible by nearby community	Accessible by everyone
Target Groups	Nationwide; young children, primary and secondary	Professional and those in Klang Valley area and	Existing and prospective investors and	State of Kedah; nearby/ local schools, colleges,	The existing unit holders and the general public

Table 7.3 Key criteria of the voluntary financial education initiative (continued)

Case Organizations/ Elements	**FGU & FGUS**	**PSU & WA**	**SBSU**	**SSU**	**FIMM**
Target Groups	schools, higher education institutions, public sector servants, and mass public	other big cities	the general public	parents and the public	
Types of education initiatives	1. Malaysian Unit Trust Week (Annual program) 2. 360 Days Investment Seminar 3. Investment Quiz 4. Smart Investment Club 5. Wise Along television program 6. Newspaper articles	1. Public investment seminar (WA) (Conducted in English) 2. Investment articles in leading newspapers (in 3 languages), and in financial magazines (PSU & WA)	1. 'Hari Penghargaan Pelabur' (Customer Appreciation Day) 2. Programs with main media/ TV channels 3. Publication –(a) Daily Digest and Economic updates	1. Investment talk to students & parents in selected schools (rural/ outskirt of towns) and colleges 2. Investment road shows in every districts	1.FIMM Website 2. Unit trust newsletter 3. Radio slots

Table 7.3 key criteria of the voluntary financial education initiative (continued)

Case Organizations/ Elements	**FGU & FGUS**	**PSU & WA**	**SBSU**	**SSU**	**FIMM**
Types of education initiatives		3. Investment newsletter	(updates on economic news) (b) Articles on Unit Trust Investment	3.Sponsorship of free unit trusts for excellent students from rural schools	
Motivation	Mainly driven by felt (social) responsibility	Mainly due to business case motive (e.g. competition, brand recognition)	Mainly driven by felt (social) responsibility	Mainly driven by felt (social) responsibility	Mainly to promote unit trust products /investment

7.3 Definitions and Mechanisms of Accountability: Industry Players Perspective

This section presents some definitions and mechanisms to discharge accountability as explained by the case organizations' representatives.

7.3.1 Defining Accountability

Some of the interviewees believe to be accountable, a person should be transparent through disclosure or be responsible for one's actions. Meanwhile, other interviewees opine that accountability is about helping clients to achieve objectives of investment, give sound and sensible investment recommendations, as well as creating value. The variety of understanding among the interviewees over accountability is as expressed in the following statements:

Transparent through disclosure:

"I think the major thing here is accountability talks about transparency and disclosure, transparency and disclosure okay. And if we are transparent in terms of disclosing all the pertinent information to the investors to enable them to make informed decisions that is the most important. We shouldn't think of closing a sale just to meet your numbers, that's not good. So to us, accountability talks about transparency and disclosing, disclosure. We shouldn't hide information". (Executive Director, R4)

"Accountability means first your disclosure of information has to be transparent, complete and timely of course. With that respect based on, guideline of the SC, it is geared towards full disclosure and transparency". (CEO, R13)

"We do disclose what ever fee that we receive from the clients, is in the statement, is in our statement of advice. Every case we bring in we will have a standard statement of advice, which will write out commission everything that we give and you know the standard terms on the basis of the advice because we want to have a good relationship with our clients. So accountability to the clients everything is

transparent. Every charge, every switch made, all transactions and everything will be available to the clients". (Senior Executive, R1)

Be responsible or answerable:

"Accountability for me is responsibility; I mean we are responsible, if anything happens FGUS will be accountable. Accountable means we will be responsible if something goes wrong for example. So we are the ones who will take the blame for whatever reasons". (Accountant, R15)

"When it comes to accountability from the perspective of compliance, accountability means responsibility for actions". (Compliance Officer, R14)

"I think accountability is to put a person attached to a responsibility. Which means whatever the result you have to be responsible on the consequences of the thing". (Investment Executive, R3)

Accountability to us is the person or organization is answerable to his or its action, as per those that can affect the wellbeing of another person or organization, negatively or positively. (Executive Director, R4)

"Accountability, the way we said is willingness to accept responsibility right alright. There's a lot of terms that actually come into it". (Compliance Officer, R12)

Achieve objective of investment:

"Accountability means, we have to, actually to me I am accountable to make sure these people, my clients will achieve their objective of getting return of about eight to ten percent per year, but for investment over five years... Accountability is like sort of promise, like we already have projection. Thus we have to make sure the clients achieve the projection that we already told them especially about the return". (Tied Consultant, R7)

"So that would translate in our accountability making sure that the objective of the fund is met for the unit holders". (Compliance Officer, R14)

"And then, in terms of whether they can achieve their objective or not". (Tied Consultant, R5)

Give sound and sensible investment recommendations:

"In terms of accountability I always…I must, what I recommend or anything or any proposal I give to my customers, I must have a basic why I choose this fund, why I come out with this portfolio and why we recommend this. So I always make sure that I am accountable for the recommendations that I make. That means before I come out with something actually we have done very thorough research, study the funds and something like that. We ask a lot of questions, some very intelligent questions, why this fund like that, why this fund like this". (CEO, R2)

"It is like buying a new car. The service centre calls 'Sir, it's quite a long time you not service your car. Let's come'. So we will treat our customer like that. We will advise them to do the things that we think appropriate". (Tied Consultant, R21)

Creating value:

"I think as I mentioned just now, the shareholders, we need to create a value for the shareholders. Then, we have to make sure whatever we do we make money. But in doing that we also have to make sure that our accountability to other stakeholders like the unit holders or investors is not being compromised." (Associate Director, R16)

These definitions, particularly the first and second definitions, to some extent, reflect the conception of accountability of Gray et al. (1996) who define accountability as the duty to provide an account, or reckoning of those actions for which one is held responsible. The definitions given also contain elements which reflect two responsibilities or duties (1) to undertake certain actions, for example, by giving sound and sensible investment recommendations and (2) to provide an account of those actions, for instance, through reporting and disclosure.

Despite a variety of definitions given by the interviewees, to some degree, the definitions given reflect the strong influence of formal, economic/financial forms of accountability. Here, accountability has been defined narrowly in terms of scope, stakeholders and mechanisms. In terms of scope, for example, most of the definitions given relate to discharge of financial (Roberts, 2003), economic (Shearer, 2002), managerial (Haigh, 2006) accountability for instance by making profit or meeting investment objectives.

With respect to the stakeholders most of the interviewees refer to a narrow range of influential stakeholders (O'Dwyer and Unerman, 2008), namely the unit holders or clients and the shareholders. Finally, mandatory documents or mandatory requirements such as statement of advice or the regulatory disclosure requirements have been referred to by some of the interviewees as a means of accountability. These mandated reports or documents are formalized mechanisms for holding organizations upwardly accountable (Christensen and Ebrahim, 2006). Further discussion on means used to discharge accountability as shared by the interviewees is undertaken in the following section.

7.3.2 Means of Discharging Accountability

Several means of discharging accountability were mentioned by the interviewees, which include, complying with regulations, keeping in touch and updating clients, presenting and disclosing information in mandatory documents, performing jobs well, as well educating investors and the general public. These mechanisms are as expressed in the following statements:

Comply with regulations:

"Of course first (is) through the regulation, through regulation. Secondly, what they have is that they want each and every company licensed by them to have a compliance department, the role of the compliance department is to ensure that the operation of a company is in accordance to the guidelines and regulations". (CEO, R13)

"Okay for this, this is usually where we are coming from compliance unit just like an auditor you check and balance and you also ensure the operational or the company is in compliance with whatever regulations, laws that are being established by the SC. That is why we have all this periodic reporting to the SC, we are reporting to the SC, yeah. And then we also ensure that the P&P policies and procedures are in place. So this is our accountability, for compliance unit, yeah". (Compliance Officer, R17)

Keep in touch and updating clients:

"We arrange regular meetings with the clients. Like I said before we discuss a lot of things in the meeting. Sometimes if we don't have time to meet, we will call them, we also often have lunch together". (Tied Consultant, R20)

"Yes, yes. Meaning we must keep in touch with the clients and monitor their investment, because the investment maybe go up and down". (Tied Consultant, R7)

"Then of course like some…we say it is a concern, we are always sensitive to like, for instance, the European case, the Greece issue, so we know that the clients are very much concerned about…how it affects the investment. So we…we are very happy, so normally we come out with a report telling them how we feel about this, how…what is our view on this and what is our decision on this. So we actually come out with a short brief report and give it to them (clients) and tell them about our decision. So this is how we discharge …we try to feel what the…I mean we try to put ourselves in the customers' shoes so we are sensitive okay…" (CEO, R2)

Present and disclose information in mandatory documents:

"Okay, let us take from the account perspective, in the financial statements that we disclose in the manager's report to the unit holders that is the manager's statement. Here we will state that 'in manager's opinion the financial statements and the notes to the accounts have been prepared in accordance with the Financial Reporting Standards and the SC Unit Trust Guideline'. Meaning this has been prepared according to the SC guideline, this is where we tell the unit holders that we have discharged our duty according to the guideline." (Accountant, R15)

"There is a requirement by the SC that we must distribute reports to our clients especially the unit holders, at least twice a year, meaning that we have the interim report as well as the annual report." (Compliance Officer, R10)

Perform job well:

"Just do your job, do your best and let them (clients) evaluate by themselves." (Tied Consultant, R6)

"We manage (funds) based on our professional judgment, professional analysis and based on our study and with all the research." (Compliance Officer, R10)

Educating unit holder and general public:

"Besides that accountability I think is what I've mentioned just now it is the public seminar that we provide." (Investment Executive, R3)

"If the investors have increased their financial literacy, we have already done our job in that way also." (Executive Director, R4)

The first and third mechanisms are commonly used to discharge formal, economic forms of accountability (Munro and Hatherly, 1993, Christensen and Ebrahim, 2006) to the external stakeholders, particularly the regulators and unit holders. The second and fourth mechanisms focus on financial aspects and performance of funds as well as economic and market updates to the unit holders or clients that could be closely associated with formal forms of accountability as well. Interestingly, some interviewees regarded the education programs for investors and general public as an accountability mechanism, rather than CSR program. This evidence shows that in practice, to some extent, there is an overlapping or perhaps confusion over CSR initiative (action) and accountability mechanism (account-giving). However, in a NGO context the programs and activity, for example for the beneficiaries, have been argued as accountability mechanism in form of action (see, for example, Gray et al., 2006, Ebrahim, 2003b)

7.3.3 Definition and Means of Discharging Accountability

Table 7.4 presents the relationship between interviewees' definitions of accountability and means employed to engage with the stakeholders. It has been found that three out of five definitions have been 'operationalized' or 'translated' through 'account-giving' practices by using several mechanisms. The first definition, transparency through disclosure, for example, is 'translated' through the issuance of mandatory documents, such as fund reports as well as through the provision of voluntary information. Two definitions, however, achieving the objective of investment, and value creation could not be directly associated with means or mechanisms of stakeholders' engagement that have been employed by the case organizations but may be linked to dividend distribution and capital appreciation of investment.

Table 7.4 Definition of accountability and means of discharging accountability

Definition	Means of Discharging Accountability	Case Organizations
Transparency through disclosure	Fund or organization reports, fund prospectus, information in the website, and other mandatory and/or voluntary documents/publications	All case organizations
Be responsible or answerable	Fund or organization reports	All case organizations
Achieving objective of investment	Dividend distribution/ capital appreciation	All case organizations except FIMM
Give sound and sensible investment recommendations	Investment research and (formal and informal) consultations with unit holders	All case organizations except FIMM
Value creation (profit)	Dividend distribution/ capital appreciation	All case organizations except FIMM

The next section presents, discusses and summarises the case organizations' CSR initiatives and accountability mechanisms that have been used by the organizations to engage with the stakeholders.

7.4 Case Organizations' Engagement Mechanisms: CSR initiatives and Accountability practices

Evidence suggests that the case organizations use several mechanisms to engage with their stakeholders. Table 7.5 provides a summary of CSR initiatives and accountability mechanisms employed by the case organizations which include, for example, voluntary financial education initiatives. On one hand, some of the mechanisms could be used to discharge economic responsibility and accountability. On the other hand, they might be used to fulfil other forms of responsibility and accountability.

As can be seen from Table 7.5, the first three mechanisms all of which are mandatory reports are commonly used to provide accounts over actions taken in fulfilling the economic responsibility of the business organizations by discharging the accountability to external, authority parties. All case organizations, with the exception of FIMM, issue and submit all these mandatory reports such as annual report and financial statements (Munro, 1996, Gray et al., 1996, Christensen and Ebrahim, 2006, Munro and Hatherly, 1993) which emphasizes upward reporting of financial information (Ebrahim, 2003b, p.816) to external stakeholders such as SC Malaysia and the unit trust fund holders which is mainly for decision making purposes.

Meanwhile, the breakdown of the case organizations' financial education initiatives that are voluntary in nature could be associated with the discharging of the latter forms of accountability such as downward accountability to the unit holders and the general public. As can be seen from the table, in comparison to other cases FGU and FGUS have various accountability mechanisms that could enable them to discharge accountability beyond the formal/legal forms of accountability particularly downwardly to the investors and the general public. Further discussion on how and to whom these mechanisms are used is undertaken in Section 7.6 for formal/narrow/legal forms of accountability and in the next chapter for informal/broad/voluntary forms of accountability. The key stakeholders of the case organizations and the mechanisms used by them in engaging with the key stakeholders are discussed in the following section.

Table 7.5 Summary of the case organizations' engagement mechanisms

Means of stakeholder engagement	Types of report/ CSR programs	FGU & FGUS	PSU & WA	SSBU	SSU	FIMM
Accountability mechanisms	1. Fund's Prospectus, Fund's annual and interim reports	/	/	/	/	**n/a**
	2. Company's annual and interim reports	/	/	/	Financial statements only	/
	3. Periodic reports (monthly) to industry regulator	/	/	/	/	**n/a**
	4. CSR reports/section in: i. Fund's annual report ii. Company's annual report	 **-** /	 **-** **-**	 **-** **n/accessible**	 **-** **-**	 **n/a** **-**
CSR initiatives	Unit trust week	/	**-**	**-**	**-**	**-**
	Investment seminar/talk	/	/	**-**	/	/
	Investment Club	/	**-**	**-**	**-**	**-**
	Education TV programme for children	/	**-**	**-**	**-**	**-**
	Investment quiz	/	**-**	**-**	**-**	**-**
	Articles published in newspapers and/or magazines	/	/	**-**	**-**	**-**
	Investment/unit trust newsletter	**-**	/	**-**	**-**	/

n/a = not applicable

Table 7.5 Summary of the case organizations' accountability mechanisms (continued)

Means of stakeholder engagement	**Types of report/ CSR programs**	**FGU & FGUS**	**PSU & WA**	**SSBU**	**SSU**	**FIMM**
CSR initiatives	Programs/segments with main media/ TV channels	-	-	/	-	-
	Online article/other publication (in the company's website)	-	/	/	-	/
	Road shows	-	-	-	/	-
	Bill-boards	-	-	-	-	/
	Radio commercials	-	-	-	-	/
	Media contests	-	-	-	-	/
	Education information in the company's website	/	/	/	/	/
	Other CSR programs/events	/	-	/	/	-

n/a = not applicable

7.5 Key Stakeholder Analysis

It may be helpful to identify and discuss the main key stakeholders of the case organizations by comparing and contrasting three categories of stakeholders of the case organizations: ideal stakeholders, perceived stakeholders and stakeholders that have been addressed by the case organizations. Accordingly, Table 7.6 and 7.7 lists the case organizations' key stakeholders that are categorized into these three different groups and mechanisms used by the case organizations to engage with the key stakeholders respectively.

In general, ideally, the key stakeholders of the case organizations might include regulators, shareholders, unit trust holders, employees, agents and other business partners, as well as the general public and the *Bumiputera* community. Evidence from the interviews suggests that all of these ideal stakeholders are perceived by the interviewees as their key stakeholders. In addition to the list of the ideal stakeholders, FGU and FIMM consider the media and the government agency, such as Employee Provident Fund (EPF), as part of their key stakeholders respectively. On the other hand, although media was not mentioned by the remaining case organizations as their key stakeholder, evidence suggests that the media has been addressed by these companies through press release and press conference.

Table 7.6 Key stakeholders of the case organizations

Case Organizations	Stakeholders		
	Ideal	**Perceived**	**Addressed/engaged**
FGU &FGUS	*Bumiputera* community, Employees, General public, Regulators, Shareholders (e.g. Malaysian Government), Unit holders	*Bumiputera* community, Employees, Investee companies, Malaysian Government, Media, Regulators, The industry (fund management industry & unit trust industry), The nation, Unit holders	*Bumiputera* community, Malaysian Government, Media, Regulators, The industry (fund management industry & unit trust industry), The nation/ general public, Unit holders
PSU & WA	Agents and other business partners, General public, Employees, Regulators, Shareholders, Unit holders	Agents and financial planners, General public Employees, Regulators, Shareholders, Unit holders	General public, Regulators, Shareholders, Unit holders

Table 7.6 Key Stakeholders of the case organizations (continued)

Case Organizations	**Stakeholders**		
	Ideal	**Perceived**	**Addressed/engaged**
SBSU	Agents and other business partners, *Bumiputera* community, Employees, General public, Regulators, Shareholders, Unit holders	Agents and other business partners Regulators, Shareholders, Unit holders	General public, Regulators, Shareholders, Unit holders
SSU	*Bumiputera* community, Employees, General public, Regulators, Shareholders (State of KDH), Unit holders	Corporate investors, General public, Regulators, Shareholders (State of KDH), Unit holders	General public/ *Bumiputera* community, Regulators, Shareholders, Unit holders
FIMM	Employees, General public, Members, Regulator, Shareholders	General public Government Agencies, Members, Regulators, Unit holders	General public, Members, Regulator, Unit holders

Table 7.7 Key stakeholders & mechanisms of engagement

Case Organizations	Key Stakeholders engaged	Mechanisms of engagement
FGU & FGUS	*Bumiputera* community	CSR programs including financial education courses/events/programs
	Media	Press releases
	Regulators	Periodic reports (monthly)
	Shareholders/ Malaysian Government	Company's annual reports, CSR programs including financial education courses/events/programs
	The industry (fund management industry & unit trust industry)	Financial education courses/events/ programs
	The nation/ general public	CSR programs including financial education courses/events/programs
	Unit holders	Fund prospectus, fund annual and interim reports, information available in the company website, CSR programs including financial education courses/events/programs
PSU & WA	General public	Information available in the company website, Financial education courses/events/programs
	Regulators	Periodic reports (monthly)
	Shareholders	Company's annual reports
	Unit holders	Fund prospectus, fund annual and interim reports, information available in the company website, financial education courses/events/programs

Table 7.7 Key stakeholders & mechanisms of engagement (continued)

Case Organizations	Key Stakeholders Engaged	Mechanisms of Engagement
SBSU	General public	CSR programs including financial education courses/events/programs
	Regulators	Periodic reports (monthly)
	Shareholders	Company's annual reports
	Unit holders	Fund prospectus, fund annual and interim reports, information available in the company website, financial education courses/events/programs
SSU	General public/ *Bumiputera* community	CSR programs including financial education courses/events/programs
	Regulators	Periodic reports (monthly)
	Shareholders	Company's annual reports
	Unit holders	Fund prospectus, fund annual and interim reports, information available in the company website, financial education courses/events/programs
FIMM	General public	Education-type of information available in the company website, a complaint bureau, public media campaign, unit trust newsletter
	Members	Annual reports, seminars, public media campaign, press releases, provide information and other services, unit trust newsletter
	Regulator	Annual reports, oversight members activities
	Unit holders	Educative-type of information available in the company website, a complaint bureau, press releases, public media campaign, unit trust newsletter

Based on the evidence gathered, the majority of key stakeholders perceived by the case organizations are addressed through several mechanisms. The mechanisms as listed in Table 7.7 consist of accountability mechanisms and CSR practices such as the fund reports and the voluntary financial education initiative respectively. Further discussion on the stakeholders' engagement of the case organizations is undertaken in the next chapter. The following section presents and discusses empirical evidence related to practices of discharging formal, economic and legal forms of accountability in the industry.

7.6 Economic & Legal Forms of Accountability

Almost every single aspect, such as business operations and reporting of the Malaysian unit trust industry is monitored and governed by industry regulators. In other words, the monitoring and governing process by the regulators over the industry is very thorough. This is evidenced through the issuance and enforcement of various acts, guidelines, standards. These acts, guidelines, standards are as shown in Tables 7.8 and 7.9. Table 7.8 lists the acts and guidelines issued by SC Malaysia which are compulsory to be met by the industry players in conducting their business operations. Meanwhile, Table 7.9 lists the standards, code, by-laws and guidelines issued by FIMM. All members and registered persons of FIMM, unless exemption is given by SC Malaysia, need to ensure that their operations are in compliance with the Investment Management Standards (IMS). It is also necessary for FIMM members to comply with the Code of Ethics and Standards of Professional Conduct, which sets out the general principles and minimum standards of good practice, in carrying out their business activities.

These acts, guidelines as well as standards, prescribe the minimum behaviour (i.e. business operations and activities) expected from the industry players and the minimum information required to be reported and disclosed by the industry players as the law lays down the minimum level of responsibilities and rights, thus the minimum level of legal accountability (Tinker et al., 1991). This indirectly reflects the emphasis given by the regulators of the industry over legal accountability

(Ebrahim, 2003a) that is defined by Chisolm (1995, p.14) as "...either an obligation to meet prescribed standards of behaviour or an obligation to disclose information about one's actions even in the absence of a prescribed standard". It also reflects Gray et al.'s (1996) (general/basic) conception of accountability as the duty to provide an account (by no means necessarily a financial account) or reckoning of those actions for which one is held responsible that involves two responsibilities or duties: (1) to undertake certain actions (or forbear from taking action) and (2) to provide an account of those actions.

Table 7.8 Acts and Guidelines issued by SC Malaysia

No.	Acts and Guidelines	Issuance/Revised/Updated date
1	Capital Market & Securities Act 2007 (CMSA) (as at 28 Sept 2007)	-
2	Guidelines on Unit Trust Funds	Date issued: 3 March 2008 Revised edition: 18 Feb 2009 & 1 June 2010
3	Prospectus Guidelines for Collective Investment Schemes	Date issued: 3 March 2008 Updated: 1 June 2010
4	Guidelines on Marketing and Distribution of Unit Trust Fund	Date issued: 3 March 2008
5	Guidelines on Advertisements and Promotional Materials	Date issued: 3 March 2008
6	Guidelines on Online Transactions and Activities in relation to Unit Trusts	Date issued: 24 Nov 2004 Revised: 19 August 2008

Table 7.9 Standards, Code, By-Laws and Guidelines issued by FIMM

No.	Standards, Code, By-Laws and Guidelines	Issuance date
1	**Investment Management Standard (IMS) 1 to 9:**	
	IMS-1 Dealing Cut-Off Time For Unit Purchases and Redemptions	8 September 2005
	IMS-2 Forward Pricing To Be Adopted By New Unit Trust Schemes	22 September 2006
	IMS-3 Unit Trust Schemes With Foreign Portfolio : For The Purpose of Determining Unit Trust Scheme's Net Asset Value, Foreign Portfolio Should Be Valued Based On Last Done Prices At The Close Of The Business Day Of The Respective Markets On The Same Calendar Day	22 September 2006
	IMS-4 Unit Trust Schemes With Foreign Portfolio: Bid Foreign Exchange Rate For Valuation Of Unit Trust Schemes	23 June 2010
	IMS-5 Unit Trust Schemes With Foreign Portfolio: T+2 Publication of Scheme Prices, Fees and Charges in Newspapers	17 October 2006

Table 7.9 Standards, Code, By-Laws and Guidelines issued by FIMM (continued)

No.	Standards, Code, By-Laws and Guidelines	Issuance date
	IMS-6 Single Pricing Regime: Minimum Disclosure Standard In The Unit Purchase And Redemption Confirmation Statements **IMS-7** Incorrect Pricing Of Scheme Units: Correction And Reimbursement **IMS-9** Measuring and Disclosure of Volatility for Unit Trust Schemes and Recognized Funds	17 May 2007 30 August 2007 27 February 2009
2	Code of Ethics and Standards of Professional Conduct for the Unit Trust Industry (1st edition)	1 Sept 2001
3	By-Laws relating to the Procedures for Disciplinary Proceedings (2nd edition)	3 Sept 2007
4	Guidelines for Registration of Corporate Unit Trust Advisers (CUTA) for the Marketing and Distributions of Unit Trusts (1st edition)	11 Oct 2007
5	Guidelines for Registration of Institutional Unit Trust Advisers (IUTA) for the Marketing and Distributions of Unit Trusts (2nd edition)	11 Oct 2007

Chisolm's and Gray et al.'s definition of legal, as well as (general/basic) accountability, reminds us of what is referred to as formal forms of accountability (Gibbon, 2010) with its narrowest form referring to financial accountability (Roberts, 2003), which is mainly served through financial reporting and disclosure requirements (Munro and Hatherly, 1993, Munro, 1996, Gray et al., 1996, Gray et al., 2006, Christensen and Ebrahim, 2006, Ebrahim, 2003b). Financial accountability is understood as financially focused accountability which typically requires a formal explanation (Dixon et al., 2006) to limited stakeholders particularly to shareholders (Kovach et al., 2003, Gray et al., 1996), donors (Dixon et al., 2006), other financial providers and government (e.g. regulators) (O'Dwyer and Unerman, 2008).

The regulators' expectation or requirement over unit trust industry players is to 'act' or 'behave' according to or in compliance with the legislations such as the Guidelines on Unit Trust Funds, Guidelines on Marketing and Distribution of Unit Trust Fund as well as the Code of Ethics and Standards of Professional Conduct for the Unit Trust Industry. This requirement is clearly stated in the Guidelines on Unit Trust Funds which mentions that "*All parties to a unit trust fund are expected to be guided by the letter and spirit of the regulatory requirements."*(Securities Commission Malaysia, 2009, p.1-1). In particular, this requirement first refers to the first component of Chisolm's (1995) legal accountability definition which is "...an obligation to meet prescribed standards of behaviour..." as well as the first duty of accountability as argued by Gray et al.(1996) which is the duty to undertake certain actions (or forbear from taking action).

As an example, one of the expected business operations (action) that needs to be undertaken by the UTMC before commencing marketing and selling activities of unit trusts is to prepare and register a fund's prospectus with SC Malaysia. Detailed provisions and guidelines guide the processes of issuances, registration, and amendments of a fund's prospectus. As discussed earlier, the requirement of issuance of the prospectus and supplementary or replacement prospectus is provided under Section 232 and 238 of the CMSA respectively with Section 233 of the CMSA requiring the fund's prospectus to be registered with SC Malaysia. Meanwhile, the minimum information required by SC Malaysia to be provided or disclosed in the fund's prospectus is as specified in Section 235(1) (a) to (e) of the CMSA and the Prospectus Guidelines for Collective Investment Schemes.

As discussed in Chapter 5, a fund's prospectus is one of the important disclosure documents in the unit trust industry. The prospectus is considered a critical pre-sales or pre-investment document as it enables investors to access the latest information regarding the fund and the issuer of the fund (UTMC), which in returns assists the investors to make an informed investment decision. Given the prospectus' critical role, it is hardly surprising to observe detailed requirements which governed its issuance, preparation, and registration processes. Based on the theoretical framework developed in Chapter 3 with the issuance and registration of the prospectus, UTMC seems to fulfil (partially) its economic and legal responsibility as well as discharge (partially) its economic/financial accountability to the potential unit holders and the government (the regulator).

Secondly, the regulators' expectation or requirement over unit trust industry players to 'act' or 'behave' according to or in compliance with the legislations also involves the duty or obligation to provide or disclose (minimum) information. The duty to provide or disclose (minimum) information is one means to account about the industry player's actions. In the context of the unit trust industry, duty to provide (financial) account is undertaken through the fund's annual and interim report that are distributed to the unit holders.

The requirement to prepare these reports is provided under Section 12.01 of the Guidelines on Unit Trust Funds: *"A management company should prepare an annual and an interim report of the fund to provide all necessary information to enable unit holders to evaluate the performance of the fund."* As stated in Section 12.01, these reports should contain all necessary information to enable unit holders to evaluate the (financial) performance of the fund in order to help them to make informed investment decisions. A UTMC also has to lodge these reports to SC Malaysia within two months after the end of the financial period. Through the preparation and distribution of these reports, a UTMC is considered discharged of its financial, functional, accountability upwardly to unit holders and to the government (the regulator).

In addition to reporting to investors or unit holders, under Chapter 13 of the Guidelines on Unit Trust Funds UTMCs are required to report to SC Malaysia. Schedule F of the Guidelines on Unit Trust Funds further specifies the reporting requirements to SC Malaysia which includes types of report and frequency of reporting. On a monthly basis, all UTMCs are required to submit a Statistical Return and Compliance Return of the fund which is collectively referred as a UTF Return via the Trust and Investment Management Electronic Reporting System (TIM-ERS). The Compliance Return needs to be submitted to and verified by the trustee of the fund first before being submitted to SC Malaysia.

Through the preparation and submission of these reports a UTMC is considered as having fulfilled its legal responsibility and discharged its financial, accountability upwardly to the government (the regulator). To a certain extent, this monthly reporting requirement to SC Malaysia, mirrors what has been the concern over accountability as a form of external oversight and control where it encourages rationalizations of action (O'Dwyer and Unerman, 2008) which involves "the constant giving and demanding of reasons for [and results of] conduct" (Roberts, 2001, p.1549).

In general, these (legal/mandatory) reporting and disclosure requirements reflect the emphasis given to financial, accountability which are commonly exercised as a form of external oversight and control as an important part of mandatory (Dixon et al., 2006), external regulatory approaches to accountability (Ebrahim, 2003a). This point reminds us of another focus of legal accountability, deterrence and punitive measures, which is also associated with financial (Raffer, 2004), form of accountability, that is on the threat of legal action in cases of failure to meet legal obligations (Ebrahim, 2003a, p.195). Similarly, Mulgan (2000,p.555) argues that in its original sense, one of the accountability features is that it implies the right of authority including the rights to demand answers and to impose sanctions[44]. Here, sanctions ensue if superiors deem their subordinates' performances wanting (Goodin, 2003, p.365).

Focus on deterrence and punitive measures, which implicitly assumes that economic/financial/legal accountability is the dominant form of accountability in the industry, can be observed in the context of Malaysia's unit trust industry as failure of compliance or infringement of any provisions of the legal requirements may lead to actions such as penalty be taken by SC Malaysia or FIMM against any industry player. This is, for example, clearly expressed in the Guidelines on Unit Trust Funds which states *"The SC may take action against persons who fail to comply with and/or observe any of the provisions in these guidelines, as are permitted under section 354 of the CMSA and/or other relevant provisions under the CMS* (Securities Commission Malaysia, 2009b, p.1-1).

The evidence presented here, to a certain degree, seems to provide support to a claim made by some interviewees who see that the Malaysian unit trust industry is highly regulated. This was expressed by an interviewee who said "*As at now, unit trust companies are highly regulated. They are highly regulated" (Compliance Officer, R12).* This environment indirectly reflects the emphasis given to formal forms of accountability, such as financial accountability, that are discharged mainly through formal accounts (Dixon et al., 2006) for example via financial reporting. The influence of economic/ legal accountability over the industry and its players has also manifested through many if not all interviewees' understanding on the conception of accountability as definitions given and means of discharging accountability mentioned by them reflecting/closely related to economic/ legal accountability.

[44] Mulgan acknowledges that the inclusion of sanctions in the core of accountability is contestable on the grounds that it may appear to go beyond the notion of 'giving an account'. He however argues that '*calling* to account' as commonly understood, appears incomplete without a process of rectification.

As discussed earlier, in defining accountability, many interviewees believe that to be accountable someone has to be transparent by providing full disclosure. Moreover, helping investors to achieve investment objectives is also regarded as a definition of accountability. In terms of modes of discharging accountability, updating clients, providing information and complying with regulations are the most mentioned means. Interestingly, however, educating investors and the public is mentioned as one mean of discharging accountability. Given the nature of business of the unit trust industry which is dealing with public money, it is no surprise to observe the tight and detailed regulations that have been put in place by the regulators to control and monitor the operations and the activities of the industry players.

While mandatory forms of accountability are important and crucial for investors' protection and in developing a sound capital market, too much emphasis, however, may lead to what Roberts (1991, 1996) argues as encouraging an individualizing character, "since they promote a sense of the self that is preoccupied with achieving certain norms and standards and... induce the self to relate to others through the lens of these categories alone" (Messner, 2009, p.922). This can be observed in the following statements:

"…if you give the information sufficiently you can create confidence, unit holders' confidence on us. So when someone reads something from our reports there will be no questions like "How they derive this thing, or that thing?" because we have disclosed sufficiently. Because the SC requirement is good enough, so if we follow exactly all the requirements there will be no issue or question mark whether we are capable or not, we are capable on managing (funds) or not".(Accountant, R15)

He further explained that:

"…it (the reporting and disclosure requirements) has impact on the relationship because the less you disclose the relationship between FGUS and the unit holders will be more distance compared if you disclose more". (Accountant, R15)

Some interviewees see the tight and detailed regulations imposed by the regulator as constraints or restrictions (Roberts and Scapens, 1985). This is as expressed in the following statement:

"What I was mentioning is more on what is the, what is the issue of our survival with all of these restrictions. On accountability, yes, we are still accountable to all those things right, for everybody that actually looks into us. Be it the SC, be it the FIMM, be it the EPF, be it the investors, we have to address whatever issues that they come back to us. So we are still accountable to all our, our, how we manage their funds. It wouldn't be any different on that. In fact as time progress possibly there is more that we have to disclose right to the investors. On the investors it will be good because more information gets to them. On us it will be tough. Because you have to run the business, you have to do the reporting, you know". (Compliance Officer, R12)

On the other hand, Gray et al. (1996) remind us that accountability relationships are far from simple by highlighting the importance of understanding how the relationship- via 'contract'- is determined. It is also worth referring to Gray et al.'s (1996, p.40) point saying that "...the legal responsibility for action brings a moral responsibility to account which is only partially discharged by the legal responsibility to account", for example, through financial reporting. However, private sector experience has shown that formal financial reporting and accounting mechanisms are less than perfect devices for securing accountability (Mayston, 1993).

In the context of Malaysian capital markets, of which the unit trust industry is a vital component, initial or early steps taken by SC Malaysia are considered to be helpful in instilling or encouraging the market players to go beyond the economic and legal responsibility that can be observed through its 2008-2012 Investor Education blueprint. Through the blueprint, SC Malaysia with the aim to develop a responsible industry has encouraged industry players to take responsibility in educating their investors. Through this engagement effort and initiative which are beyond legislations requirements, together with the support and encouragement from the industry regulators, it is not impossible for the businesses to be able to embrace a broader conception of responsibility and accountability, with relation to the stakeholders. This broader understanding might drive the case organizations to have authentic, holistic stakeholder engagement through CSR programs as well as accountability practices.

This point brings us to the empirical evidence that allow this study to explore and examine whether the case organizations' engagement initiative with the stakeholders through CSR programs and accountability practices is merely window-dressing, formal and non-dialogic rather than authentic, holistic and dialogic. Detailed analysis and discussion over this issue that was undertaken based on the theoretical framework developed in Chapter 3 is presented in the next chapter. The next section summarizes the key findings or issues as presented and discussed in this chapter.

7.7 Summary and Conclusion

To summarize, this chapter first analysed and discussed the CSR programs particularly the financial education initiative undertaken by the case organisations. A number of factors as well as possible underlying reasons of the initiatives were identified and discussed. The initial (simple) analysis and discussion over some of the essential elements of the initiative indicate that these five cases have different ways in undertaking the initiative which may give different impacts or results. As the key criteria of the initiative by the five case organizations were compared and contrasted to see the similarities and differences, it is obvious that the FGU and FGUS education initiative is the most comprehensive, integrated, and concerned with 'the other' more than 'the self' (Roberts, 2003, Shearer, 2002). In contrast, PSU and WA, as well as FIMM's 'education' initiatives, albeit quite broad and structured, seem to be undertaken to advance their interests.

Despite some similarities and differences, however, the voluntary financial education initiatives undertaken by the case organizations are in line with the industry regulator investor education blueprint. This education initiative, to some extent, proves that part of the blueprint, which aims to develop a responsible industry by way of encouraging market players to take responsibility in educating the investors and the general public, is working.

Additionally, this chapter provided insights into the case organizations' understanding on the conception and mechanisms of accountability that seems to be influenced by formal/legal/financial conceptions of accountability. The key stakeholders of the case organizations and the means of engagement were identified to help for further analysis. The strong influence of economic/financial and legal form(s) of accountability over definitions held by the case organizations is hardly surprising as evidence indicates that the industry has dominated these forms of accountability. The dominance of these forms of accountability in the industry is exemplified mainly through the issuance and enforcement of various kinds of acts, regulations and guidelines by the industry regulators to closely govern and monitor the industry players.

Based on the idealised stakeholder engagement model developed in Chapter 3, the next chapter will provide further analysis and discussion to explore and examine whether the case organizations' approach to the stakeholder engagement is authentic and holistic or merely symbolic/cosmetic and non-dialogic.

CHAPTER 8: ENGAGING STAKEHOLDERS – EMBRACING SOCIAL RESPONSIBILITY OR ADVANCING AN ECONOMIC AGENDA

8.1 Introduction

The aim of this chapter is to analyse the empirical evidence using the idealised stakeholder engagement model developed in Chapter 3. Accordingly, the chapter is organised as follows: Section 8.2 first discusses the stakeholder engagement initiatives of the case organisations which involved CSR programs, events, activities and accountability practices. This is followed by a detailed analysis and discussion of the evidence to determine the (possible) underlying motivations of the engagement initiatives of the case organisations, in particular the voluntary education programs. In Section 8.3, the expected or possible impacts of the voluntary education initiatives are discussed, followed by a summary and conclusion of the chapter in Section 8.4.

8.2 Embracing Broader Responsibility

Five case organisations including the industry self-regulatory body, FIMM, have particular initiatives to educate their investors and the general public. This voluntary financial education effort could be regarded as one means to broaden the responsibility of the industry players beyond economic responsibility. Three of the UTMCs, in fact, undertook their education initiatives long before the issuance of the SC Malaysia 2008-2012 investor education blueprint.

In particular, voluntary financial education initiatives enable organisations to broaden their responsibility scope beyond their clients (unit holders) (Dixon et al., 2006) as well as to the community (Hudson in Taylor and Warburton, 2003) and the general public. Before discussing the empirical findings by applying the theoretical framework developed in Chapter 3, the next section first discusses how the case organisations engage with their stakeholders in practice.

8.2.1 Engaging with Stakeholders: CSR and Accountability Practices

The evidence suggests that the engagement initiatives have been undertaken by the case organisations using formal, mandated and informal, voluntary CSR and accountability practices. As shown in Table 8.1, mechanisms such as mandatory reporting and disclosure are commonly associated with economic or legal forms of accountability. This engagement is formal and distant in nature (Gray et al., 2006) as the engagement between the case organisations and the stakeholders is governed by specific legislation and regulations that determine the terms and conditions of the engagement.

As defined by Ebrahim (2003, p. 194), formal forms of accountability are "the means through which individuals and organisations are held externally to account for their actions". Those formal reports, as discussed in Chapter 3, help these UTMCs to discharge their financial, functional, hierarchical accountability upwardly by providing accounts of their activities and their performance to external parties such as the unit holders, regulators and shareholders (where appropriate) (Ebrahim, 2003b).

On the other hand, as shown by the evidence summarized in Table 8.1, the CSR programs, particularly the financial education initiatives for investors and the general public which are voluntary in nature, can be the examples of "...corporate commitment to ethical behaviour particularly in relation to social justice …" (Sklair and Miller, 2010, p.473). This is mainly because these initiatives, in general, which are relatively less formal, aim to educate investors, as well as the public.

Table 8.1 Case organisations' means of engagement

Form of Engagement	Stakeholders Engaged	Engagement Mechanism
Formal, mandated	Unit holders	Fund's prospectus, fund's annual and interim reports
	Shareholders	Company's annual and interim reports
	Regulator/ government	Periodic reports (monthly)
Voluntary	Member of public/ potential unit holders/ existing unit holders	CSR programs including voluntary education initiatives Voluntary accounts: CSR report/section in annual report, and section on case organisations' websites consisting of photos and information about education initiatives etc.

Furthermore, as can be seen from Table 8.2, the voluntary financial education initiatives have been undertaken in a variety of forms ranging from a simple mode which involves one-way communication from the case organisations (such as the publication of newsletters or articles) to initiatives that facilitate interactive or dynamic interactions such as the FGU Smart Investment Club. In terms of audience, education initiatives such as the Unit Trust Week have attracted many visitors with diverse backgrounds in terms of age and ethnicity as well as level of education. Meanwhile, education initiatives such as the 'Along Bijak' (Smart Along) television program or published articles in, for example, financial magazines, have been designed to cater to specific audiences.

Many of these education initiatives are in the Malay language except for a few initiatives which include, for example, the investment seminar by WA and newsletters by PSU and FIMM which are in English. Some of the initiatives are annual or one-off programs, such as the Unit Trust Week and investment talk by FGU and SSU, respectively. Meanwhile, a few initiatives could be considered as continuous programs such as the FGU and FGUS 360-day investment seminars and the Smart Investment Club. In addition, education initiatives such as the Unit Trust Week, investment road-shows and Customer Appreciation Day enable face-to-face or direct engagement between the case organisations and stakeholders as opposed to indirect education via the publication of articles or website disclosure, for instance.

Table 8.2 Case organisations' voluntary means of engagement

Case Organisation	**Engagement Mechanism**
FGU & FGUS	**CSR programs including voluntary financial education initiatives:** Malaysia Unit Trust Week, 360-day investment seminars or workshops, Smart Investment Club, 'Along Bijak' (Smart Along) television program, investment quizzes, and educational articles published in a leading tabloid **Voluntary accounts:** CSR report/section in FGU's annual report, and section on FGU's website consisting of photos and information about the education initiative etc.
PSU & WA	**Voluntary financial education initiatives:** Investment seminars, articles in leading newspapers (in three languages) and in financial magazines, investment newsletter **Voluntary accounts:** No CSR report prepared by PSU or WA; a newspaper article about the PSU and WA education initiatives is available on the PSU website (archive section)
SSBU	**CSR programs including voluntary financial education initiatives:** 1.'Hari Penghargaan Pelabur' (Customer Appreciation Day) - talks, seminars & updates including opportunity to meet its customer service personnel

Table 8.2 Case organisations' voluntary means of engagement (continued)

Case Organisation	**Engagement Mechanism**
SSBU	2. Programs on main media/ TV channels: (i) The Importance of Money Management & Financial Planning, RTM TV2 – Segment Hello On Two (ii) "Pelaburan Meningkatkan Ekonomi" (Improving Economy through Investment) RTM TV1 – Segment Biz Malaysia 3. Publications – (a) Daily Digest and Economic Updates (updates on economic news); (b) articles on Unit Trust Investment **Voluntary accounts:** No CSR report was prepared by SBSU; a section on the SBSU website consists of photos and information about the education initiative etc.
SSU	**CSR programs including voluntary financial education initiatives:** 4. Investment talks to students & parents in selected schools (rural/ outskirt of towns) and colleges 5. Road-shows in every district 6. Sponsorship of free unit trusts for excellent students from rural schools 7. Other youth programs (e.g. Football tournament) **Voluntary accounts:** No CSR report was prepared by SSU.
FIMM	**Voluntary financial education initiatives:** Billboards, radio commercials and media contests, website, annual publication of unit trust newsletter **Voluntary accounts:** FIMM did not publish a CSR section on the website or report.

In general, these initiatives reflect the case organisations' (unintentional) collective motivation to educate and expose the investors and the general public to the importance of appropriate saving and long-term investment practices. Such initiatives could be driven by economic interest (Griffin and Prakash, 2010) or felt (social) responsibility (Fry, 1995).

From one perspective, the education initiative can be seen as a starting point for the case organisations as well as the industry regulator for developing a more responsible industry (Securities Commission Malaysia, 2008). In addition, it is worth recalling Gray et al.'s (2006) point suggesting the importance of considering the existence of less obvious and informal systems of accounts so that organisational responsibility and accountability and its discharge can be properly understood. The following section, therefore, attempts to explain and evaluate such practices based on the idealised stakeholder engagement framework that was developed in Chapter 3.

8.2.2 CSR and Accountability Practices: Authentic, Strategic and/or Symbolic Engagement?

Roberts (2003) argued that stakeholder engagement initiatives should be undertaken "genuinely" and with "others in mind" as a way to change an organisation's actual conduct. Without these genuine motivations, engagement initiatives may be part of the organisation's efforts to satisfy its own interests or agenda (Sklair and Miller, 2010) which are limited to "giving account to the self" or to enable the organisation to operate it activities as usual (Shearer, 2002, Roberts, 2003).

Genuine motivations and intentions, and appropriate CSR and accountability processes, practices and mechanisms should be put in place if any stakeholder engagement initiative is to enable the organisation to have a better and authentic relationship with the stakeholders (Roberts, 2003, Lehman, 2007). This section provides analysis and discussion on these elements in order to explore and assess whether the case organisations' CSR initiatives and accountability mechanisms were adopted to enable these organisations to embrace a broader responsibility and accountability through their genuine concerns about others (Shearer, 2002) as opposed to their own interests.

Drawing on the theoretical framework developed in Chapter 3, Table 8.3 presents the possible categories that are associated with the case organisations' stakeholder engagement initiatives. The evaluation of the CSR initiative was based on the motivations, intentions, mechanisms, practices and targeted stakeholders. Table 8.4, 8.7, 8.10, 8.13, and 8.16 present the classification of the voluntary financial education initiatives as authentic or strategic/symbolic engagement, as well as the evidence upon which the classification is based.

For the accountability mechanisms, the contents of the accounts/reports were content analysed thoroughly in order to interpret and understand the accounts/reports. The category was determined based on the subjects and topics covered, types of information provided, targeted stakeholders and whether the reports/accounts discussed or considered the voices of the stakeholders. Based on the evidence, the accounts/reports were then classified as formal/informal, holistic, non-dialogic or dialogic. The interviews data was also used to corroborate data from the documents particularly to identify factors that affect the provision of voluntary/additional information in the mandated and/or voluntary reports or documents.

As shown in Table 8.3, much evidence suggests that the voluntary education initiatives as well as other CSR programs undertaken by three case organisations, namely, FGU (and FGUS), SBSU, and SSU, can be regarded as authentic. As explained earlier, this is based on the evidence related to the voluntary financial education initiatives which suggests that the education initiatives are genuinely undertaken to educate the investors and the general public. There is evidence suggesting that the FGU and FGUS education initiatives address a broader range of stakeholders (O'Dwyer and Unerman, 2007, 2008) including the general public. However, there is evidence which suggests that the initiatives carried out by these companies are also for strategic purposes (Burke and Logsdon, 1996). There is evidence suggesting that one of the reasons FGU and FGUS undertake the education initiatives is for brand building.

In contrast, for PSU and WA, as well as FIMM, the evidence suggests that their voluntary education initiatives are carried out mainly for strategic (Burke and Logsdon, 1996) and/or symbolic reasons (Spinkle and Maines, 2010). The motivations of PSU and WA for carrying out the education initiatives are business-related, for example, product and organisational branding. The evidence, however, suggests that the PSU and WA education initiatives are not only targeted to existing and prospective unit holders but also aim to include the general public. While this can be seen as a sign of concern for a broad range of stakeholders (O'Dwyer and Unerman, 2007, 2008), it might also indicate that the PSU and WA strategy can benefit both the company and the stakeholders (Burke and Logsdon, 1996). Further discussion of the elements of the case organisations' financial education initiative is undertaken in Sections 8.2.2.1 to 8.2.2.5.

One interesting question is how the types of ownership or institutional sponsorship of the case organisations may influence the above observations. Based on the ownership structure, FGU and FGUS, SBSU and SSU are government-owned organisations, with FGU and SSU owned directly by the federal government and the state government, respectively. SBSU, the ultimate holding company, is a statutory body that is also owned by the government. Their ownership structure, to a certain extent, might affect how these organisations see or perceive their felt (social) responsibility which in turn may influence the way they engage with stakeholders.

Prior studies found that governments have a positive influence on the nature and extent of a company's social responsibility disclosure practices (Prado-Lorenzo et al., 2009, Amran and Devi, 2008, Ghazali, 2007). This finding may be extended to the practice of providing or undertaking CSR activities by the government-owned UTMCs.

Although these companies struggle to balance their commercial and social responsibilities, as suggested by the evidence presented, the voluntary financial education initiatives undertaken to educate the investors and the general public about the importance of investment and financial planning can be regarded as a means of discharging social responsibility to a broader range of stakeholders. This is particularly seen in the targeting of the general public as one of the key elements of these initiatives.

Table 8.3 Case organisations' stakeholder engagement – CSR initiatives & accountability mechanisms

Stakeholder Engagement/ Case Organisation	CSR (Action)		Accountability (Accounts)	
	Financial education initiative	Other CSR programs	CSR reporting	Mandatory reports
FGU & FGUS	Authentic /strategic	Authentic to strategic	Formal, holistic, non-dialogic	Formal, non-dialogic
PSU & WA	Strategic/ symbolic	-	-	Formal, non-dialogic
SBSU	Authentic/ strategic	Authentic to strategic	-	Formal, non-dialogic
SSU	Authentic/ strategic	Authentic to strategic	-	Formal, non-dialogic
FIMM	Strategic	-	-	Formal, non-dialogic

On the other hand, for PSU and WA, which are owned by one of the key private banking groups in Malaysia, it is hardly surprising to observe that the voluntary financial education initiatives were mainly undertaken for strategic or business objectives. For example, there is evidence showing that profit-making or shareholder value maximisation is the main priorities of PSU, as can be observed in the following statement by an Associate Director:

> *"I think as I mentioned just now, the shareholders, we need to create a value for the shareholders. Then, we have to make sure whatever we do we make money." (Associate Director, R16)*

Similar to PSU and WA, the evidence suggests that the education initiative was undertaken by FIMM for strategic purposes. As the self-regulatory organisation for the Malaysian unit trust industry, FIMM has the responsibility not only to oversee and regulate the practices of its members but also to promote the development and growth of the industry. Hence, its education initiative can be seen to be related to its objective to promote public awareness of the benefits and risks of investing in unit trusts rather than as a means to discharge its responsibility beyond what is legally required.

These findings raise a number of issues and implications. With regard to motivations and/or intentions, first, recapping the discussion in Chapter 3, it is expected that a sense of obligation to an organisation’s missions and values (Ebrahim, 2003a, Snider et al., 2003) rather than a sense of anxiety regarding the power of external stakeholders (O'Dwyer and Unerman, 2008) or other forces appears to drive an organisation to create authentic and holistic engagement with its stakeholders (Roberts, 2003, Lehman, 2007, O'Dwyer and Unerman, 2008). Therefore, for FGU and FGUS, SBSU and SSU it should be the desire to genuinely address the interests of a broad range of stakeholders (Lehman, 2007, O’Dwyer and Unerman, 2007) particularly the clients and the general public that drives these organisations to engage with the stakeholders.

Meanwhile, for engagement initiatives that are carried out for strategic and/or symbolic purposes, an organisation might claim that its concern for stakeholders has motivated the engagement. In contrast, what really motivates the organisation is not authentic or genuine engagement with its stakeholders but actually a concern for itself (Roberts, 2003). Among the case organisations in the present study, it seems that a profit-making motive is actually the main desire which drives PSU and WA to undertake such education initiatives rather than the desire to authentically engage with its clients and community (Lehman, 2007, Roberts, 2003). Further discussion on the elements of these initiatives is undertaken in the following section.

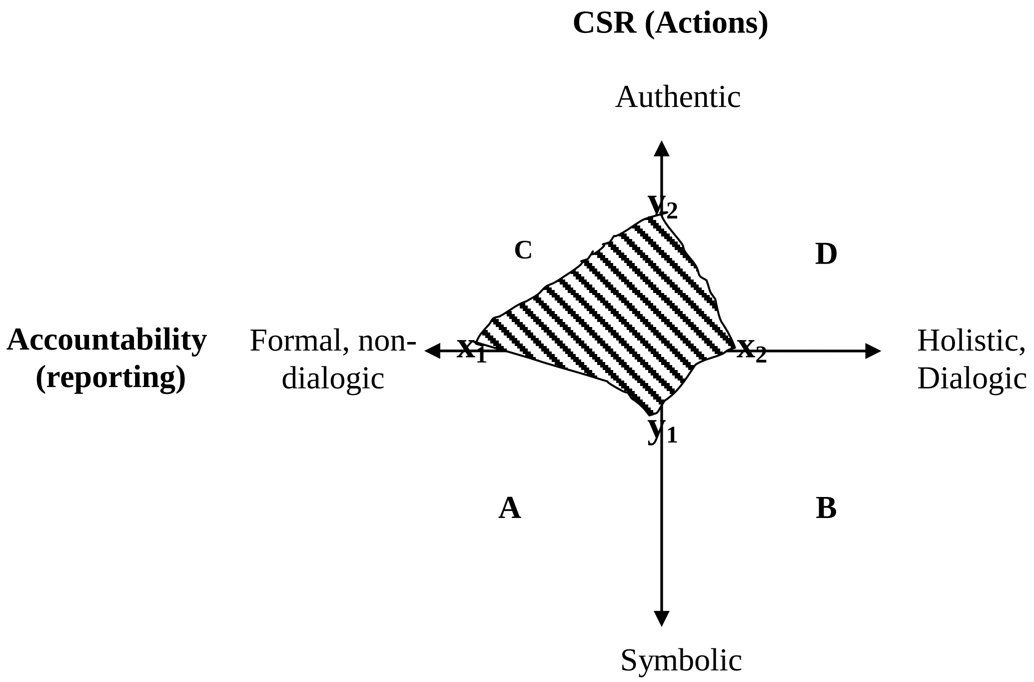
8.2.2.1 FGU and FGUS

As shown in Table 8.4, the evidence relating to CSR initiatives suggests that the FGU and FGUS stakeholder engagement initiatives range from strategic to authentic. It is interesting to note that FGU is the only case organisation that provides accounts on social and environmental aspects through a CSR section in its annual report. While this report can be considered holistic in terms of the aspects or issued presented and discussed, there is no evidence to suggest that the report considers the voices or views of the stakeholders (Lehman, 1999). Considering stakeholders' views or voices on certain matters (e.g. on the aspects that negatively affect particularly the – powerless - stakeholders (Roberts, 2003), indicates, to a great extent, an organisation's commitment to giving appropriate consideration to its stakeholders and encouraging a critical and dynamic dialogue to take place between the organisation and its stakeholders (Lehman, 1999, Thomson and Bebbington, 2005) in such a way that the actual conduct of the organisation may change. In addition, there is no evidence to suggest that FGU provides information that can help the stakeholders to critically assess the corporate activities (Schweiker, 1993) or to enable the stakeholders to question the agenda of oppressive systems of governance (Thomson and Bebington, 2005, p. 529). Without satisfying these criteria, it is argued that FGU's CSR report lacks dialogic potential (Thomson and Bebington, 2005, Unerman and Bennett, 2004).

As illustrated in Figure 8.1, the evidence suggests that FGU's stakeholder engagement falls under all the four quadrants/categories. As shown in the figure, FGU's CSR programs have been undertaken for strategic and responsibility (authentic) reasons, and its financial report and CSR reports (as accountability mechanisms) can be classified as formal and non-dialogic, and holistic and non-dialogic, respectively.

However, much more evidence falls under quadrant C. It means that while there is little evidence suggesting that the FGU CSR initiatives such as the voluntary financial education programs are for strategic purposes, there is much more evidence indicating that the initiatives were undertaken for authentic reasons and were driven by FGU’s felt responsibility (Fry, 1995). On the other hand, evidence suggests that FGU’s mandated reports and documents are formal and non-dialogic. Meanwhile, despite its commitment to issuing a CSR report, the evidence suggests that the organisation’s CSR report lacks dialogic potential.

Figure 8.1 FGU and FGUS stakeholder engagement



$\mathbf{x_1}$ = Mandated reports/documents $\mathbf{x_2}$ = CSR reports

$\mathbf{y_1}$, $\mathbf{y_2}$ = CSR initiatives

Table 8.4Key elements of FGU and FGUS financial education initiatives

Element	Authentic	Strategic/ Symbolic
Motivations	(6 sources: four interview statements, one statement from FGU article, one statement from FGU annual report)	(2 sources: one interview statement and one statement from FGU CEO speech text)
Intentions	(1 source: Interview statement)	-
Mechanism-Process	(3 sources: one statement in FGU article and two statements from FGU annual report)	-
Mechanism-Tools	(1 source: statement from FGU annual report)	-
Practice	(1 source: statement from FGU annual report)	-
Stakeholder group	(2 sources: one statement from FGU article, one statement from FGU annual report)	-

As shown in Table 8.5, there is no evidence to suggest that the FGU account-giving mechanisms (both mandatory and CSR reports) provide a space for dialogue with the stakeholders or provide information that can help the stakeholders to critically analyse and understand information such as the information provided in the FGU annual reports (Adams, 2004, Schweiker, 1993, Thomson and Bebbington, 2005). On the other hand, evidence suggests that a wide range of FGU CSR programs and events, particularly the financial education initiative, has the potential to enable a more dynamic and critical engagement between FGU and its stakeholders. As evident in the nature, scope and content, these activities involve direct, face-to-face and dynamic engagement which, in the long term, can bring about positive changes by creating a more financially-educated society. Therefore, overall it is argued that FGU's stakeholder engagement initiatives are authentic and holistic as the engagement is undertaken mainly to bring about substantive change in the community.

Table 8.5 FGU and FGUS accountability mechanisms

Criterion	**Reports/Documents**		
	Fund Prospectuses	Fund Reports	CSR Reports
Contents	Limited to what is required by Prospectus Guidelines for Collective Investment Schemes with no additional/voluntary information	Limited to what is required by Unit Trust Fund Reporting Requirements: fund performance, manager's report, trustee's report, auditor's report and financial statements with very little additional/voluntary information	Focus on social responsibility programs, activities and events
Nature of Information	Mandated/required information particularly financial information	Mandated/required information with mainly financial information	Voluntary, non-financial information (social aspects), all positive and non-critical information
Targeted (Implied) Stakeholders	Potential and existing unit trust holders	Potential and existing unit trust holders	Member of public, potential unit holders and existing unit holders
Engaging Stakeholders in Reports	-	-	No accounts explaining whether or how the stakeholders' voice is considered/engaged
Category/ Status	Formal, non-dialogic	Formal, non-dialogic	Formal, holistic, non-dialogic

Looking at its core CSR initiative, the evidence suggests that the motivation behind FGU and FGUS's voluntary financial education initiative is mainly a sense of obligation to its mission (of its incorporation) and values (Ebrahim, 2003a) rather than due to external forces (Fry, 1995) or its private interests (Lehman, 1999, Roberts, 2003). This was, for example, expressed in the following comment made by an interviewee from FGU:

> *"It goes back to what has been mentioned by Mr. A. Education itself, number one is we want to help educating the public because of what we are, because we (are) supporting the national agenda." (CSR Officer, R19)*

She further explained that:

> *"Like what Mr. A [explain his role] said we mandated the...the introduction the establishment of FGU because of what? (FGU) is the social avenue of the government towards the Bumiputera and the nation so we are just carrying it [the policy] out. So our initiatives and the government initiatives are almost one and the same." (CSR Officer, R19)*

The association between the FGU mission or values and the FGU voluntary actions might reflect Ebrahim's (2003a) argument (albeit in a different context) that missions and values do have significant influence on the actions taken by the organisation.

The view of the FGU respondent is in line with the view of another FGUS officer who explained that:

> "*Like I said earlier it is part of our duties to the government. It is part of our duties to the investors of FGU which is to enhance the life style of the Bumiputera especially, and how we do it, for us we can say part of it involves education, and almost all of the time, the best way to do it is through education. It is how we can help people be aware of the importance of saving and make investors aware of the importance of investment, and to help educate them in the fundamentals of investment." (Compliance Officer, R14)*

This commitment was also expressed in the following statements in an FGU article and in the FGU 2008 annual report:

> *"FGU....is always aware of its social responsibilities and is committed to the creation of an investment savvy population....The key in this case is education." (CSR section of article "Enriching the Nation-FGU the Corporate Nation Builder")*
>
> *"In this context...the role that we play in education ....Inculcating the savings habit and knowledge of investment in the young is a critical part of country's aspiration to become a prosperous and dynamic society." (2008 Annual Report: President & Group CEO's statement, p. 25)*

The evidence suggests that FGU intention is to genuinely address the interests of a broad range of stakeholders, particularly the clients and the general public. This was expressed by an interviewee from FGU as follows: *"[It is] because we want to educate the Malaysians [not because of competition]"* (CSR Officer, R19). Other means used by FGU and FGUS to facilitate engagement with their stakeholders are listed in Table 8.6.

Through stakeholder engagement activities, FGU and FGUS address a broad range of stakeholders (O'Dwyer and Unerman, 2007, 2008). As shown in Table 8.6, the key stakeholders addressed by FGU and FGUS include the unit holders, shareholders, regulators, the *Bumiputera* community and the general public. The engagement has been undertaken via actions (CSR initiative) and reporting (accountability mechanisms) such as the financial education initiatives and fund reports, respectively.

In the FGU and FGUS context, the nature of relationships – as specified in the 'contract', namely, the degree of closeness and formality (Gray et al., 2006) – as well as the organisations' missions and values may possibly affect not only how the key stakeholders are identified, but the mechanisms used in the engagement process or activity as well as whether the flows of engagement are upward, downward or lateral types of engagement. The regulators, for example, are addressed using the formal, mandatory document (the company's annual report) because the nature of the relationship – as specified in the 'contract', that is, via the Capital Market & Securities Act 2007 – is formal and distant (Gray et al., 2006). Meanwhile, as there is some closeness in the relationship between FGU and FGUS and the *Bumiputera* community (as specified, for example, in the New Economy Policy), it is hardly surprising to observe that this stakeholder group has been engaged using informal, voluntary types of practices and mechanisms.

The authentic and holistic nature of FGU engagement is also reflected in FGU's emphasis on the education to produce a long-term impact/social change as expressed in the following extracts:

> *"FGU....is always aware of its social responsibilities and is committed to the creation of an investment savvy population ...The key in this case is education. Education... is "an ongoing process from the cradle to the grave." (CSR section of article "Enriching the Nation-FGU the Corporate Nation Builder")*
>
> *"Education remained as the main thrust of FGU CSR programs." (2007 Annual Report, President and GCEO's review, p. 19)*

Table 8.6 FGU and FGUS stakeholder engagement

Stakeholder Group	Mechanisms of Engagement	Flows of Engagement
Shareholders/ Malaysian Government	Company's annual reports	Hierarchical, Upward
Regulators	Periodic reports (monthly)	Hierarchical, Upward
Industry (fund management industry & unit trust industry)	Financial education courses/events/ programs	Lateral
Unit holders	Fund prospectus, fund annual and interim reports	Upward
	Information available on the company website, CSR programs including financial education courses/events/ programs	Downward
***Bumiputera* community**	Information available on the company website, CSR programs including financial education courses/events/ programs	Downward
Nation/ general public	Information available on the company website, CSR programs including financial education courses/events/ programs	Downward
Media	Press releases	Lateral

As discussed previously, FGU also undertook various CSR programs that were indirectly but closely related to education as part of FGU's effort to give back to the community. These programs include students' sponsorship schemes, establishment of a college, as well as training schemes for unemployed graduates. Such practices, to a certain extent, mirror FGU's concern and commitment to fulfil its social responsibility to a broader range of stakeholders, for example, to the community. This was explained by one of the interviewees as follows:

> *"So that is why if you see everywhere we focus more on education. Yes, we do community projects and everything but the community project that we undertake is educating the public. How we help the community is through the education. Whatever education that we give because our objective mainly is to educate the public in investment and financial planning." (Vice-president, R18)*

This concern and commitment was also expressed in the following statements:

> *'Thus it is important to 'educate the nation at all levels from kindergarten-children to pensioners'." (CSR section of article "Enriching the Nation-PNB the Corporate Nation Builder")*

> *"In general, these educational programs are designed and targeted to cater to specific groups, such as the general public, university students, secondary schools students and primary school students." (2007 Annual Report, President and GCEO's review, p. 19)*

However, there is evidence which suggests that the FGU and FGUS voluntary financial education initiative is carried out for strategic and/or business objectives. With regard to motivations in undertaking such voluntary initiatives, for example, although much of the evidence presented earlier suggests that FGU's motivation is genuine in 'giving back' to its stakeholders, the following statements suggested that the initiatives are also undertaken to further its economic interests:

> *"It [education initiative] is quite significant to us because of we...social part where we giving to the public because you have to know like what I have said just now entrepreneurship. It goes back to the profitability [of] the business, the sustainability of the business but at the same time we have matched social obligations." (CSR Officer, R19)*

> *"Marketing strategy and investor education – Steps were taken to improve FGU image among the public, with a focus on CSR activities and brand building." (Extract from CEO speech, 7 February 2009)*

This, however, may be justifiable as FGU has been set up as an entity that has economic responsibilities (Carroll, 1979) to the fund's unit holders as well as the shareholders. FGU (2009b) acknowledges both commercial and social objectives when it envisages itself as a *"social entrepreneur, an institution that is profit-oriented, yet at its core has a humanitarian and social mission"*, which might explain FGU's commitment and effort to fulfil its social responsibility to its broad range of stakeholders, for example, through voluntary education initiatives.

This commitment comes with challenges particularly to balance its social and commercial motives, which was expressed by one of the interviewees as follows:

> *"But for us, what we call this? (It is a) very tough balancing act. If I were commercially driven I don't care, I will be in the business as long as I get profit. However you can't do that right? You have to go back to your objective mandated and given to you by your government to help Bumiputera." (Vice-president, R18)*

As indicated by the evidence, FGU's performance comprises both quantitative (profit-making) and qualitative (humanitarian and social mission) elements which relate to its missions. This combination reflects O'Dwyer and Unerman's (2008, p. 804) concept of holistic accountability through which organisations "embrace quantitative and qualitative mechanisms concerned with signifying the long term achievement of organizational mission and the impact of this achievement in bringing about structural change”.

Therefore, the FGU CSR initiatives, particularly the voluntary financial education initiative, can be seen to reflect FGU efforts to discharge its social responsibility and accountability duty (Gray et al, 2006). As argued by Gray et al. (2006, p. 335), an organisation’s accountability (albeit in different contexts) could occur through “visibilities of the activities undertaken by the organization” since “the very actions are the accountability”.

FGU voluntary financial education initiatives may also manifest FGU awareness and responsibility that is internally driven which reflects the view of Cornwall, Lucas and Pasteur (as cited in Ebrahim, 2003a) that accountability is not only about being “held responsible” by others (i.e., externally driven) but also about “taking responsibility” for oneself to take actions (i.e., internally driven). In short, FGU’s education initiative can be described as a substantial engagement process (Lehman, 2007, Roberts, 2003) that has clear and significant objectives in bringing about social transformation by helping not only to improve financial literacy among Malaysians but also to develop a stronger, wealthier and more equitable Malaysia in the long term.

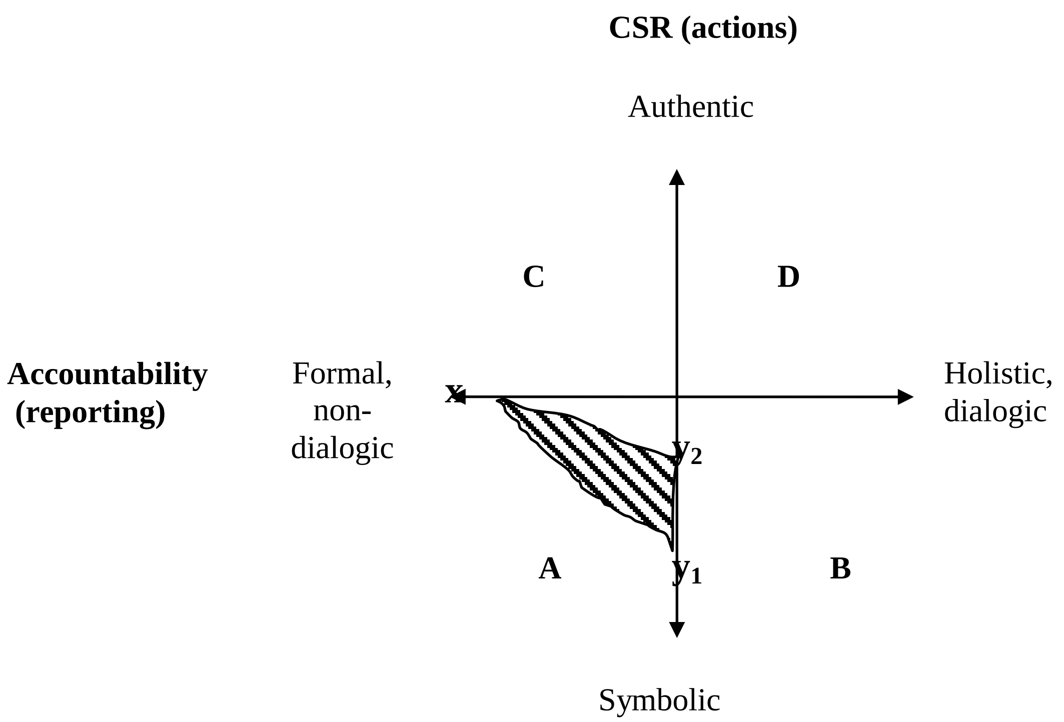
8.2.2.2 PSU and WA

The evidence suggests that PSU and WA have been engaging with the stakeholders mainly through voluntary financial education initiatives. In addition, the companies provide primarily economic information through mandated reports and documents. Much evidence, as shown in Table 8.7, indicates that the only CSR program conducted by PSU and WA, namely, the voluntary financial education initiative, was undertaken mainly for business-related reasons.

On the other hand, as illustrated in Table 8.8, it can be argued that the reports (as account-giving mechanisms) are formal and not holistic as the companies do not publish any social and environmental reports but only mandated reports and documents such as fund reports and prospectuses. The content of both the fund reports and prospectuses is limited to information, particularly financial information, required or mandated by the relevant legislation or guidelines. The absence of accounts on aspects beyond economic/financial matters that might, for example, assist the stakeholders to be critically aware of any impacts the PSU and WA activities may have on social and environmental matters also indicates that the dialogic potential of these reports and documents is extremely limited.

Therefore, as indicated by Figure 8.2, the PSU and WA engagement initiatives fall under quadrant A of the idealised stakeholder engagement model as the voluntary financial education programs are undertaken for symbolic and/or strategic purposes and the organisations' accountability mechanisms (mandated reports and documents) are classified as formal and non-dialogic. As discussed later, much of the evidence suggests that PSU and WA engaged the stakeholders mainly to advance their own interests rather than to bring about fundamental or substantial changes to the community.

Figure 8.2 PSU and WA stakeholder engagement



x = Mandated reports/documents; $\mathbf{y_1}$, $\mathbf{y_2}$ = Financial education initiatives

To be more specific, as shown in Table 8.7, the evidence suggests that the PSU and WA financial voluntary education initiatives are carried out mainly for strategic/symbolic purposes as reflected through the motivations, intentions, mechanisms (tools), practices and the stakeholder groups targeted by the initiatives. For example, the evidence suggests that the motivation behind the PSU and WA voluntary financial education initiatives is mainly driven by its economic or business interests such as competition and brand-building/crafting. This underlying motivation can be observed in the following comment made by an interviewee from PSU :

> *"For example, you are talking about the public education so those are some of the initiatives by the industry players to brand, to give the awareness to the public in a way when you are educating the public you know...branding yourself in the market so and then at the same time you also educate the public about investment." (Associate Director, R16)*

The factors are further stressed in the comment by this interviewee that:

> *"But you cannot take it [education initiative] for granted. You need to sustainably, consistently do it so that in the mind of the public 'Ooo PSU, Ooo PSU'. So that is how you craft or build your brand and your...awareness of your existence." (Associate Director, R16)*

Table 8.7 Key elements of the PSU and WA financial education initiatives

Element	Authentic	Strategic/ Symbolic
Motivations	(1 source: an interview statement)	(4 sources: three interview statements, one statement from PSU press release)
Intentions	-	(1 source: an interview statement)
Mechanism-Process	-	-
Mechanism-Tools	(1 source: an interview statement)	(1 source: a statement from PSU press release)
Practice	-	(1 source: a statement from PSU press release)
Stakeholder Group	(2 sources: two interview statements)	(2 sources: one interview statement, one statement from PSU press release)

Table 8.8 PSU and WA accountability mechanisms

Criterion	**Reports/Documents**		
	Fund Prospectuses	Fund Reports	CSR Report
Contents	Limited to what is required by Prospectus Guidelines for Collective Investment Schemes with no additional/voluntary information	Limited to what is required by Unit Trust Fund Reporting Requirements: fund performance, manager's report, trustee's report, auditor's report and financial statements with very little additional/voluntary information	Not issued
Nature of Information	Mandated/required information particularly financial information	Mandated/required information with mainly financial information	-
Targeted (Implied) Stakeholders	Potential and existing unit trust holders	Potential and existing unit trust holders	-
Engaging Stakeholders in Reports	-	-	-
Category / Status	Formal, non-dialogic	Formal, non-dialogic	-

Similar to motivation, the evidence suggests that the PSU and WA intention to continuously educate the public is mainly due to its business interests. On one hand, it seems that the voluntary financial education initiatives that have been carried out indicate PSU and WA's concern about the level of financial and investment knowledge among investors and the general public. On the other hand, the evidence suggests that what is really of concern is how they are seen by others (Roberts, 2003). This concern about how others see them is echoed in the following statement by the PSU CEO:

> *"Going forward, we will continue to educate the public and at the same time offer them a comprehensive series of products .... These factors have enabled*

us to stand out in the market and we have been duly recognized." (PSU CEO, Corporate News, 2009)

This is an invaluable insiders' perspective which reveals the underlying substance of PSU's view on the benefits of its education initiative to the company.

In line with the motivation and intention, the evidence indicates that PSU and WA used mechanisms that enabled the companies to pursue their business interests. Some of the PSU and WA financial education mechanisms, such as the public investment seminar, were designed to enable the companies to identify and approach potential future/new investors.

Therefore, it is hardly surprising that the voluntary financial education initiatives undertaken by PSU and WA were designed for and delivered to targeted groups of stakeholders, such as the free public investment seminars provided by WA. On one hand, the seminars were declared open to everyone. These seminars, however, were only offered in large cities at 'upper-class' venues such as hotels. This means that only certain groups of people were likely to participate, such as those who lived nearby which means they were likely to be from at least the middle-income group and not from poor rural areas. In addition, since these 'public' seminars were conducted in English, only certain sections of the public, namely, those who can speak and understand English, would be able to participate and benefit from these seminars.

These findings could reflect the point discussed in Chapter 3 about the stakeholders who might be addressed when an organisation engages with stakeholders for strategic or symbolic reasons. Although, in general, the focus of broader responsibility and accountability is to a wide range of stakeholders (O'Dwyer and Unerman, 2007), when an organisation's main motivation is to advance its own interests (Unerman and Bennett, 2004, Sklair and Miller, 2010), it is expected that the organisation will favour certain groups, namely, the groups which the organisation perceives to be the most relevant (Gray et al.,1996).

Here, the stakeholders are identified by the organisation by reference to its belief that the interaction with the group needs to be managed in order to further the organisation's interests (Gray et al., 1996). As Gray et al. (1996) argued, the more important the stakeholder to the organisation, the more effort will be exerted in managing the accountability (and responsibility) relationship. Applying this analysis to the PSU and WA context, the evidence suggests that the organisations were focused on targeting stakeholder groups that were considered important to their business and some of the efforts to manage these stakeholders were carried out through the voluntary financial education initiatives.

Unlike FGU, it seems that the activity identified by PSU and WA as voluntary financial education initiatives is actually part of the organisations' marketing activities. The main purpose is to make them stand out in the market and to increase the recognition of their brand among investors and the general public. They do this by crafting and reinforcing their brand in the investors' and the general public's mind. Hence, the concern underlying the organisations' education initiatives is not about 'the other' but is more about how 'the other' sees them (Roberts, 2003). In line with Roberts (2003), there is enough evidence to suggest that this corporate initiative is merely a new form of external visibility of the corporate image to allow PSU and WA to run their business as usual and simply reflects the narcissistic concerns of the companies to appear responsible.

It is interesting, however, to note that there are some elements of the education initiative which suggest that PSU and WA had some community-minded motivation. This can be observed in one of the interviewee's explanation of how she regards the financial education initiative to be part of PSU's efforts to help the regulator in educating the public: "*We do our part, part of our public education initiatives and helping the SC to educate the public as well"* (Associate Director, R16). Moreover, she claimed that one of the reasons which drive the company to undertake education initiatives is because they think they are responsible for educating the general public.

As shown in Table 8.9, PSU and WA address economically and politically powerful stakeholders through their stakeholder engagement activities. As well as the regulators and shareholders, the other stakeholder groups that PSU and WA might think are important to 'manage' for different business-related reasons include the existing unit holders and the general public (or 'potential unit holders'). Several mechanisms are employed to manage the key stakeholders including the voluntary financial education initiative. Hence, as suggested by the evidence, in the context of PSU and WA it is more likely that the voluntary financial education initiatives have been designed and undertaken to target certain groups of stakeholders who the organisations believe will deliver benefits in the short and long term.

Table 8.9PSU and WA stakeholder engagement

Stakeholder Group	Mechanisms of Engagement	Flows of Engagement
Regulators	Periodic reports (monthly)	Hierarchical, Upward
Shareholders	Company's annual reports	Upward
Unit holders	Fund prospectus, fund annual and interim reports	Upward
	Information available on the company website, financial education courses/events/ programs	Downward
General public or 'potential unit holders' (?)	Information available on the company website, financial education courses/events/ programs	Downward

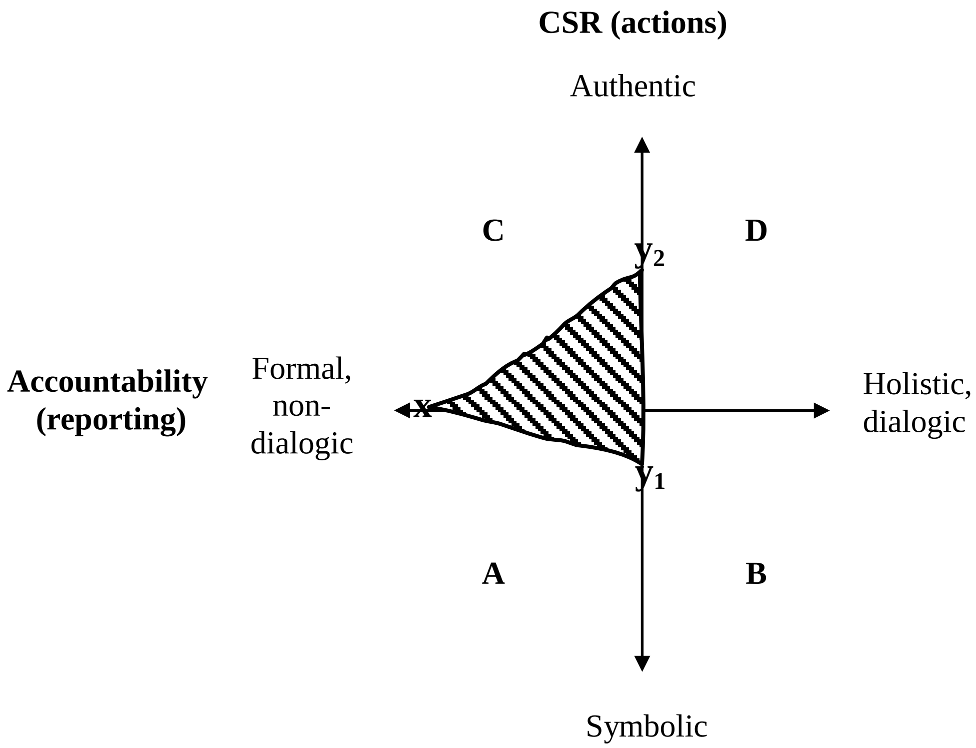
8.2.2.3 SBSU

As shown in Figure 8.3, the evidence suggests that SBSU's stakeholder engagement falls under quadrants A and C as its voluntary financial education programs and other CSR activities are undertaken for strategic and responsibility (authentic) reasons. Its accountability mechanisms mandated financial reports and documents are formal and non-dialogic in nature.

However, as can be seen from Figure 8.3, much of the evidence suggests that quadrant C in the idealised engagement model better explains the status of the SBSU stakeholder engagement. Quadrant C represents the case where an organisation undertakes pure CSR initiatives but provides accounts of its activities that are limited to economic matters only and allow limited room for dialogue. On one hand, there is enough evidence to suggest that the SBSU CSR initiative and its financial education in particular (as presented in Table 8.10 and discussed later) is undertaken to bring about change among the investors and the general public by equipping them with appropriate financial knowledge.

SBSU's account-giving practices, as shown in Table 8.11, however, are limited to the issuance of mandated reports and documents. As discussed in Chapter 6, while meeting the minimum legal reporting and disclosure requirements, these reports and documents contain a very limited amount of voluntary (social and environmental) information. Hence, while these account-giving mechanisms enable SBSU to discharge its financial accountability, the absence of accounts on issues beyond economic and financial matters suggests that these reports and documents are formal and not holistic. The lack of accounts on aspects beyond financial matters that might assist the stakeholders to be critically aware and understand the impact of SBSU's activity on social aspects, for example, also means that the dialogic potential of the documents is extremely limited.

Figure 8.3 SBSU stakeholder engagement



x = Mandated reports/documents; $\mathbf{y_1}$, $\mathbf{y_2}$ = CSR initiatives

Overall, the evidence as presented in Table 8.10 suggests that SBSU's voluntary financial education initiatives are undertaken mainly to benefit investors and the general public in the long run. A close reading of the evidence reveals that SBSU's voluntary financial education initiatives are driven by both felt responsibility and the business case. The voluntary financial education initiatives have been undertaken as part of the corporate governance and CSR of the company. The initiatives have also been regarded as a reflection of the values of SBSU parent company which considers education to be a key priority. This finding corresponds to the argument that an organisation's mission provides "a verbal link between the presumably deeply held principles and the conduct of those representing [the organisation]" (Lawry, 1995, p. 147 as cited in Ebrahim, 2003a).

SBSU's financial education initiatives are also undertaken as part of its overall customer service to create long-term positive impacts including creating brand or product awareness and loyalty to the company. This finding reflects Roberts's (2003, p. 256) view that CSR initiatives are merely new forms of visibility that are concerned with maintaining if not improving corporate reputation and power (Sklair and Miller, 2010) and which simply mirror established financial accountability (Roberts, 2003).

Table 8.10 Key elements of SBSU financial education initiatives

Element	Authentic	Strategic/ Symbolic
Motivations	(2 sources: a CEO statement via email, featured articles, daily digest and economic update)	(3 sources: a press release, two CEO statements via email)
Intentions	(2 sources: two CEO statements via email)	-
Mechanism-Process	-	-
Mechanism-Tools	(2 sources: videos of media/TV segments, featured articles, daily digest and economic update)	-
Practice	(3 sources: statement from company press release, videos of media/TV segments, featured articles, daily digest and economic update)	(1 source: a statement from company press release)
Stakeholder group	(4 sources: three CEO statements via email, videos of media/TV segments,)	(2 sources: one statement from company press release, one CEO statement via email)

Table 8.11 SBSU accountability mechanisms

Criterion	**Reports/Documents**		
	Fund Prospectuses	Fund Reports	CSR Reports
Contents	Limited to what is required by Prospectus Guidelines for Collective Investment Schemes with no additional/voluntary information	Limited to what is required by Unit Trust Fund Reporting Requirements: fund performance, manager's report, trustee's report, auditor's report and financial statements with very little additional/voluntary information	Not Issued
Nature of Information	Mandated/required information particularly financial information	Mandated/required information with mainly financial information	-
Targeted (Implied) Stakeholders	Potential and existing unit trust holders	Potential and existing unit trust holders	-
Engaging Stakeholders in Reports	-	-	-
Category/ Status	Formal, non-dialogic	Formal, non-dialogic	-

The evidence, however, suggests that SBSU has a genuine desire to address the interests of a broad range of stakeholders, particularly clients as well as the industry (community). This desire was expressed by its CEO as follows:

> *"The initiative would be of great benefit to the unit holders / investors in terms of enhancing and improving their financial planning and management skills and practices. To the regulators, the initiatives would form a critical part of the 'best practices' that a fast developing market like Malaysia should aim for." (SBSU CEO via email)*

In addition to the education initiatives undertaken by the industry regulators and some of the industry players including SBSU itself, the CEO of SBSU also highlighted the importance of incorporating a basic commerce or finance subject into the mandatory curriculum of secondary schools as part of the long-term effort to improve the levels of financial literacy among Malaysians regardless of their background:

> "*As a person who has worked in the financial industry for almost 20 years, perhaps the most basic change I would like to see is the introduction of a basic commerce or financial subject in secondary schools as part of the mandatory curriculum. I would think that every person, no matter what his chosen profession later in life, would need a basic understanding of commerce or finance in today's world." (SBSU CEO via email)*

The evidence suggests that SBSU has employed mechanisms that could help to realise its intention to bring about change in society. As shown in Table 8.2 above, various financial education initiatives which are less formalised (Christensen and Ebrahim, 2006) and lack formal rules (Dixon et al., 2006) have been employed by SBSU to enable genuine and dynamic engagement between SBSU and its clients and the community. These initiatives include SBSU's annual 'Hari Penghargaan Pelabur' or Customer Appreciation Day, financial and investment educational slots with the main TV channels as well as the regular issuance of educational articles and updates on economic news and events.

One of SBSU's main education programs is the Customer Appreciation Day to which existing and prospective investors are invited to attend talks and seminars. The evidence suggests that this initiative has been undertaken to strengthen the relations between SBSU and its investors, mainly as a way to show appreciation for the investors' confidence in SBSU to manage their investments. Customer Appreciation Day is also used by SBSU to boost investors' confidence to invest particularly during challenging economic conditions in which people are cautious to spend and invest. This motivation, however, is hardly surprising given the context and nature of the SBSU business operations where financial performance is vital to the survival of the business.

In terms of the types of stakeholders addressed through the voluntary financial education initiatives, the evidence suggests that SBSU is concerned with its financial responsibility (Carroll, 1979) to its existing investors and prospective investors particularly through the Customer Appreciation Day events. Educational slots with TV channels can be seen as a means for SBSU to discharge its social responsibility to both investors and the general public.

Table 8.12 lists the key stakeholders of SBSU, the mechanisms used by the organisation to engage with the stakeholders as well as the flows of engagement. Similar to PSU and WA, four key stakeholders are targeted by SBSU, namely, the regulators, shareholders, unit holders and the general public using mandatory/formal and/or voluntary/informal mechanisms. The unit holders, for example, are engaged using both mandatory/formal mechanisms (such as fund reports) and voluntary/informal mechanisms (such as financial education initiatives).

Table 8.12 SBSU stakeholder engagement

Key Stakeholder Group	Mechanisms of Engagement	Flows of Engagement
Regulators	Periodic reports (monthly)	Hierarchical, Upward
Shareholders	Company's annual reports	Upward
Unit holders	Fund prospectuses, fund annual and interim reports	Upward
	Information available on the company website, financial education courses/events/ programs	Downward
General public	Information available on the company website, CSR programs including financial education courses/events/programs	Downward

In short, to some degree, SBSU's voluntary financial education initiatives demonstrate the small-scale yet serious efforts by some unit trust industry players to embrace a broader concept of responsibility which goes beyond legal or financial responsibility to its investors and the general public.

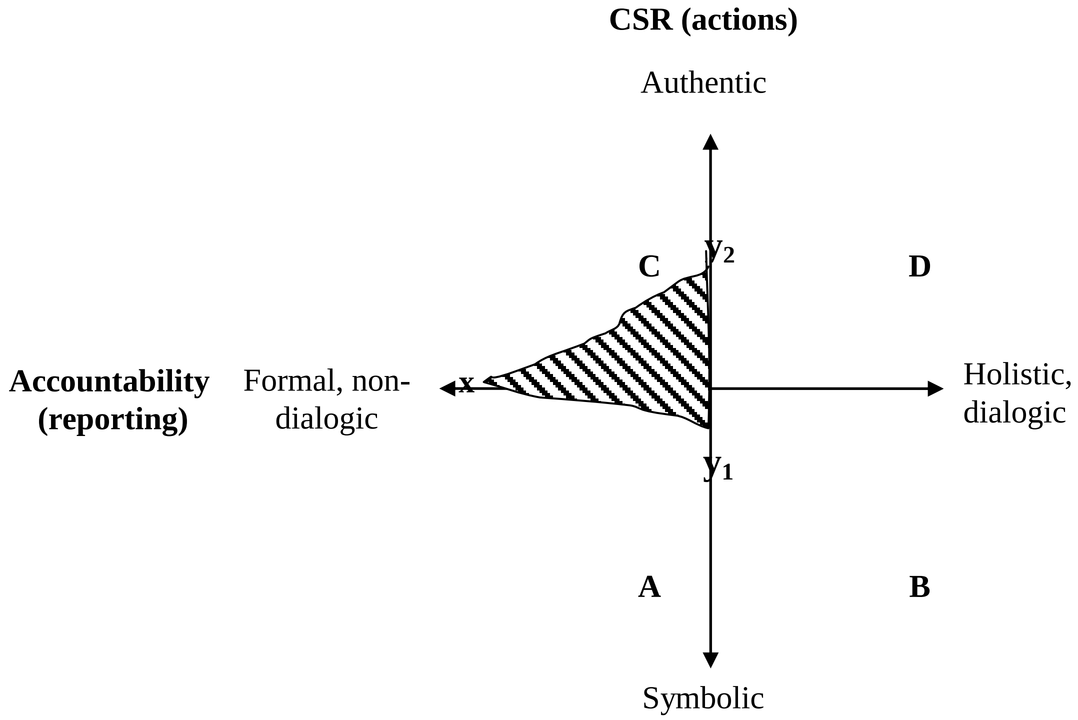
8.2.2.4 SSU

As shown in Figure 8.4, similar to SBSU, the evidence suggests that SSU's stakeholder engagement falls under quadrants A and C as its voluntary financial education programs and other CSR activities are undertaken for strategic and responsibility (authentic) reasons and its accountability mechanisms, mandated financial reports and documents are formal and non-dialogic in nature.

As can be seen from Figure 8.4, much more evidence, however, suggests that quadrant C of the idealised stakeholder engagement model better explains the SSU engagement status/category. An organisation that falls in quadrant C is one that undertakes pure CSR initiatives but the reports it provides are limited to economic information and allow only limited room for dialogue. There is enough evidence to suggest that SSU's CSR initiative, in particular its financial education (as presented in Table 8.13 and discussed later), is undertaken mainly to bring about change among investors and the general public by equipping them with appropriate financial knowledge.

As shown in Table 8.14, like SBSU, SSU's account-giving practices are limited to the issuance of mandated reports and documents. As discussed in Chapter 6, while meeting the minimum reporting requirements, these reports and documents contain a very limited amount of voluntary (social and environmental) information. Hence, while these account-giving mechanisms enable SSU to discharge its financial accountability, the absence of accounts on issues beyond economic and financial matters suggests that these reports and documents are formal and not holistic. The lack of accounts on aspects beyond financial matters that might assist the stakeholders to be critically aware of the impact of SSU activities on social and environment issues also means the dialogic potential (Thomson and Bebbington, 2005) of the documents is extremely limited.

Figure 8.4 SSU stakeholder engagement



x = Mandated reports/documents; $\mathbf{y_1}$, $\mathbf{y_2}$ = CSR initiatives

As shown in Table 8.13, the evidence relating to SSU's motivations, intentions, mechanisms, practices and the types of stakeholders targeted in the voluntary financial education initiative suggests that the initiative is mainly designed for the benefit of stakeholders. With regard to SSU's motivation, as discussed, the evidence suggests that a perception or felt of (social) responsibility (Fry, 1995) drives SSU to undertake the voluntary financial education initiative. This was expressed by an interviewee from SSU as follows:

> *"Besides that we have social responsibility. We have to educate people on why they have to invest part of their money in the unit trust. ....We have social obligation to educate people." (Manager, R11)*

Responding to a follow-up email, the SSU manager explained how the organisation's activities such as the voluntary financial education initiative relate to and impact on the state in which the organisation operates:

> "*The long-life learning is one of elements in KDH state's human capital development. SSU is a wholly [-owned] subsidiary of KDH state government in where every public activity carry out by SSU will have direct impact to the state government." (Manager, R11)*

The SSU manager further emphasised one of the indirect objectives of SSU's education initiatives as follows:

> "*It is important for SSU to educate the people in KDH state about the unit trust industry as it indirectly will help to prevent the society/people from investment fraud or scams like get rich schemes and anti-money laundering." (Manager, R11)*

Table 8.13 Key elements of SSU financial education initiatives

Element	Authentic	Strategic/ Symbolic
Motivations	(3 sources: two interview statements, one statement from a manager via email)	(2 sources: one interview statement, one statement from a manager via email)
Intentions	(2 sources: one interview statement, one statement from a manager via email)	(1 source: an interview statement)
Mechanism-Process	-	-
Mechanism-Tools	(2 sources: interview statements, news on the company website)	-
Practice	(2 sources: interview statements, news on the company website)	-
Stakeholder group	(3 sources: two interview statements, one statement from a manager via email)	-

Table 8.14 SSU accountability mechanisms

Criterion	**Reports/Documents**		
	Fund Prospectuses	Fund Reports	CSR Reports
Contents	Limited to what is required by Prospectus Guidelines for Collective Investment Schemes with no additional/voluntary information	Limited to what is required by Unit Trust Fund Reporting Requirements: fund performance, manager's report, trustee's report, auditor's report and financial statements with very little additional/voluntary information	Not issued
Nature of Information	Mandated/required information particularly financial information	Mandated/required information with mainly financial information	-
Targeted (Implied) Stakeholders	Potential and existing unit trust holders	Potential and existing unit trust holders	-
Engaging Stakeholders in Reports	-	-	-
Category/ Status	Formal, non-dialogic	Formal, non-dialogic	-

However, similar to the other case organisations, some evidence indicates that the motivation for the activities relates to strategic reasons and profit-making objectives (Roberts, 2003, Sklair and Miller 2010). This was explained by the same respondent as follows:

> "*In the long term, education initiatives that have been organised voluntarily to the Bumiputera society will render positive impact over SSU image as a fund's manager. As more people understand the unit trust industry in Malaysia it will easier for SSU to market its fund in the future." (Manager, R11)*

Due to SSU's poor fund performance, the voluntary education initiatives have also been utilised by SSU to explain or justify the poor performance in the hope of creating or regaining confidence among existing investors, prospective investors and the public. This was expressed by the SSU manager as follows:

> *"It is very difficult to show that we can go back to RM1*[45]*. That is what we try to educate and we have our plan, and one of Madam A's [manager] duties now is to plan the programs."(Manager, R11)*

The evidence suggests that SSU's intention to continue with its voluntary financial education initiatives is genuine although commercial interests were also associated with SSU's intention in educating the stakeholders as acknowledged by the SSU manager in the interview:

> *"We are not, we are more to education because...but we also have to generate profit right? It is a lie if we don't want to get profit. But part of it actually is...we need to educate people. That is one of the objectives in the long-term."* (Manager, R11)

[45] Equivalent to GBP0.20 (assuming the exchange rate is GBP1 = RM5)

The evidence suggests that SSU employed mechanisms that could help to realise its intention to bring about change in society. As shown in Table 8.2 above, several informal, voluntary initiatives (Christensen and Ebrahim, 2006) were employed by SSU to enable authentic engagement to take place between the organisation and clients as well as the community (Lehman, 2007). This includes investment talks to students and parents in selected schools (rural areas/outskirts of towns) and colleges and investment road-shows.

In addition, a few initiatives have been undertaken with the aim to indirectly expose or introduce young people especially (e.g., school students) to the concept of investment in unit trusts. These initiatives included the sponsorship of free unit trusts for excellent students from rural schools and organising programs for students such as football tournaments where free unit trusts are offered as prizes. As explained by one of the interviewees:

> "*We do have social programs, for instance we help some rural schools ..... That is voluntary information. From there then we give a talk to the teachers as well as the parents of the chosen students." (Manager, R11)*

Table 8.15 shows SSU's stakeholder engagement activities with its key stakeholders consisting of the regulators, shareholders, unit holders and the general public, including the *Bumiputera* community. Similar to the previous case organisations, in general, the mechanisms of engagement are comprised of mandatory/formal and/or voluntary/informal mechanisms which include, for example, periodic reports to the regulator (mandatory/formal) and financial education initiatives targeted at unit holders and the general public (voluntary/informal).

Table 8.15 SSU stakeholder engagement

Key Stakeholder Group	Mechanisms of Engagement	Flows of Engagement
Regulators	Periodic reports (monthly)	Hierarchical, Upward
Shareholders	Company's annual reports	Upward
Unit holders	Fund prospectus, fund annual and interim reports	Upward
	Information available on the company website, financial education courses/events/ programs	Downward
General public/ *Bumiputera* community	Information available on the company website, CSR programs including financial education courses/events/ programs	Downward

Overall, the voluntary financial education initiatives, to a certain extent, reflect SSU's commitment to embracing and discharging a broader concept of responsibility to a broad range of stakeholders. This commitment can be observed through the following statement made by one of the SSU interviewees:

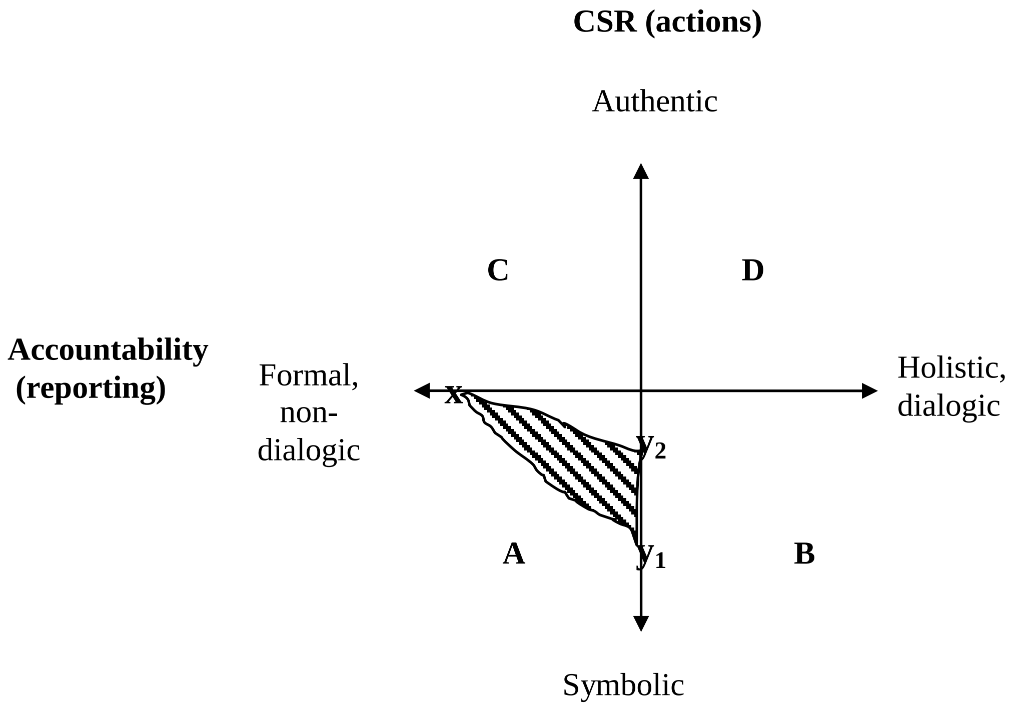
> "*To me, for us, education is number one. By having a program with schools, with our youth or motivation program to me we have fulfilled our responsibility to the society. Meaning we have disseminated knowledge through the programs. And then we do engage with the society. They have the right to know regardless whether they want or not, the information has to be disseminated. One more thing it helps them to understand the role of fund manager." (Manager, R11)*

8.2.2.5 FIMM

As shown in Figure 8.5, the FIMM voluntary financial education programs and accountability practices fall under quadrant A in the idealised stakeholder engagement model. In quadrant A, CSR initiatives are undertaken for strategic and/or symbolic reasons with accounts limited to formal, economic information and offering limited room for dialogue. This means that, overall, FIMM’s stakeholder engagement initiatives are undertaken for strategic reasons and/or symbolic purposes in order to advance the organisation’s own interests rather than to bring about fundamental or substantial change or benefit to the community.

Much evidence indicates that FIMM’s financial education initiatives are undertaken mainly as part of the organisation’s business case (as presented in Table 8.16 and discussed later). The organisation’s account-giving mechanisms (primarily its annual report) are formal and not holistic as FIMM does not provide accounts of social and environmental matters in its mandated reports. As shown Table 8.17, the only FIMM accountability mechanism is its annual report. While the content of this report is in compliance with the Financial Reporting Standards and Companies Act of 1965, like PSU, SBSU and SSU, the absence of accounts on aspects beyond financial matters that might assist the stakeholders to be aware and understand the impact of FIMM’s activities on social aspects also means that the dialogic potential of the document is extremely limited (Thomson and Bebbington, 2005).

Figure 8.5 FIMM stakeholder engagement



x = Mandated reports; $y_{1,}$ y_2 = Financial education initiatives

As shown in Table 8.16, much of the evidence relating to the key elements of the voluntary financial education initiatives undertaken by FIMM suggests that the initiatives are mainly designed to serve FIMM's interests (Roberts, 2003, Sklair and Miller 2010). With regard to motivations, FIMM's role and objectives to a great extent seem to influence the financial education initiatives undertaken by this body. Therefore, it is hardly surprising that the reason for implementing these initiatives is mainly to promote unit trust products as long-term investments.

As noted and discussed in Chapter 7, the main mediums used by FIMM in engaging with the investors and the general public (e.g., billboards and radio slots) have been regarded as public communication activities with the main purpose of creating awareness among the investor community and the general public about the benefits and advantages of unit trusts as long-term savings and investment vehicles compared to other savings and investment instruments.

There is evidence, however, which suggests that FIMM's intention to educate the investors and the general public is genuine. For example, through its education committee, FIMM intends to organise public awareness programs to educate the public on unit trusts. In addition, FIMM intends to improve investors' financial literacy. This was expressed by an interviewee from FIMM as follows:

> *"One more thing when comes to investors we also try to improve their financial literacy ... so that they will able to, more aware of unit trust investing, understand about what is the nature of this type of investment. "*
> *(Executive Director, R4)*

Table 8.16 Key elements of FIMM financial education initiatives

Element	Authentic	Strategic/ Symbolic
Motivations	-	(4 sources: one interview statement and three statement from annual reports)
Intentions	(1 source: a statement from annual report)	-
Mechanism- process	-	(2 sources: statements from annual reports)
Mechanism- tools	-	(3 sources: two statements from annual reports, information on FIMM website)
Practice	-	(5 sources: two statements from annual reports, information on FIMM website)
Stakeholder group	(2 sources: one statement from annual report, one interview statement)	(4 sources: statements from annual reports)

Table 8.17 FIMM accountability mechanisms

Criterion	**Reports/Documents**		
	Fund Prospectuses	Annual Reports	CSR Reports/Sections
Contents	Not applicable	Limited to what is required by relevant acts/ standards, Malaysian e.g., Companies Act 1965 and Financial Reporting Standards including a set of financial statements with very little additional/voluntary information	Not issued
Nature of Information	-	Mandated/required information with mainly financial information	-
Targeted (Implied) Stakeholders	-	Its members, potential and existing unit trust holders and the general public	-
Engaging Stakeholders in Reports	-	Not applicable	-
Category/ Status	-	Formal, non-dialogic	-

In terms of the mechanisms and practices employed, much of the evidence suggests that the education initiatives undertaken by FIMM are mainly designed to benefit its members. When the market crashed in 2008, for example, FIMM aired six different radio commercials to promote investors' awareness and confidence in unit trust investments with two of the slots specifically developed to explain how the market conditions at that time affected the investments and to reassure investors that all would be well in the long term. This type of activity recalls Robert's (2003) concern about the possibility of some CSR initiatives being undertaken by organisations to further their own financial interests as well as simply reflecting financial accountability requirements rather than mirroring any concern for others (Shearer, 2002).

It is observed that, in general, FIMM acknowledges it has a broad range of stakeholders. This was expressed by the interviewee from FIMM as follows:

> *"So there are five stakeholders I will say our members companies, the manufacturer of the unit trust, the individual and institutional distributors, regulators such as the SC, government agencies like EPF, investors and the general public." (Executive Director, R4)*

However, the evidence from the document review indicates that FIMM's financial education initiatives are mainly undertaken to advance the interests of the organisation's members who consist of the manufacturers (UTMCs) and distributors (advisors) of unit trust funds. Like PSU and WA, it seems that FIMM's education initiatives are undertaken primarily to promote and market unit trust products. The purpose of the education initiative is to 'enlighten' the general public about investment in unit trusts and its benefits compared to other investment products available in the market.

With regard to FIMM's overall stakeholder engagement activities, Table 8.18 lists the four key stakeholders that have been addressed using several mechanisms which include, for example, FIMM's annual report, public media campaign, newsletter and information provided on the FIMM website. Its roles and the nature of its relationship with key stakeholders may possibly determine the mechanism and the flows of engagement. The unit holders and the general public, for example, have been engaged via a few mechanisms including public media campaigns and unit trust newsletters.

Table 8.18 FIMM stakeholder engagement

Key Stakeholder Groups	Mechanisms of Engagement	Flows of Engagement
Members	Annual reports, seminars, public media campaign, press releases, provide information and other services, unit trust newsletter	Lateral
Regulator	Annual reports, oversight of members' activities	Hierarchical, Upward
Unit holders	Education-type of information available on the company website, a complaints bureau, press releases, public media campaign, unit trust newsletter	Downward
General public	Education-type of information available on the company website, a complaints bureau, public media campaign, unit trust newsletter	Downward

In the next section, a number of implications or expected impacts from the public and investor financial education initiatives are discussed further.

8.3 Public and Investor Financial Education Initiatives: Possible Impacts

In general, four significant impacts can be associated with the voluntary financial education initiatives undertaken by the case organisations. Firstly, the voluntary financial education initiatives might assist the industry regulator to achieve its objective to develop a responsible industry. It is observed that some of the UTMCs voluntarily undertook education initiatives that went beyond the requirements of the regulator, although the motivations of some case organizations for doing so were largely related to strategic/symbolic purposes.

Secondly, the 'collective' impact of the voluntary financial education initiatives could contribute towards improving the level of financial literacy among Malaysians and developing an investment savvy-society which in turn could help to promote market integrity, build market confidence and strengthen investor protection in the Malaysian capital market (Securities Commission Malaysia, 2007, p. 1-1).

Thirdly, these initiatives collectively could facilitate sustainable growth in the industry. This was expressed by one of the interviewees as follows: *"The industry is booming and it is because of the educating on the combined efforts not just us, but the combined efforts"* (FGU CSR Officer, R19). Many individual and retail investors are amateurs (Clark-Murphy and Soutar, 2004) who face difficulty in making investment decisions and could be easily influenced by the biased advertising of the UTMCs (Diacon and Hasseldin, 2007). Therefore, the voluntary financial education initiatives might be helpful to develop more critical or sceptical attitudes towards advertisements and it might help investors and the general public to increase or improve their basic knowledge and understanding of financial and investment concepts, products and services.

Fourthly, the expected impacts of the initiatives relate to the business case such as profit-making, increasing brand or presence recognition, building the organisation's image and reputation, boosting sales and developing investors and the public confidence. Gaining and maintaining the confidence of the investors and the public is particularly important for the government-owned UTMCs. For example, FGU, which owns a number of strategic government-linked companies and was established to increase *Bumiputera* ownership in the capital market that has to build and maintain continuous support, trust and confidence from the investors and the public to enable FGU to fulfil both of its financial and social responsibilities. Recommendations for ways to improve these initiatives are provided in the next chapter.

8.4 Summary and Conclusion

To summarise, this chapter analysed and discussed the empirical evidence using the idealised stakeholder engagement model developed in Chapter 3. Firstly, the stakeholder engagement initiatives of the case organisations which involve CSR programs, events, activities and accountability practices were discussed. This was followed by detailed analysis and discussion of the evidence to determine the motivations underlying the engagement initiatives of the case organisations, in particular the motivations underlying the voluntary financial education programs. Finally, this chapter discussed the expected or possible impacts of the voluntary education initiatives.

It can be concluded from the findings that the case organisations engage with their stakeholders mainly through their voluntary financial education initiatives. The findings indicate that, in embracing a broader concept of responsibility and accountability, the genuine desire of the organisation to discharge its social responsibilities is a crucial factor. However, in the absence of genuine motivations or intentions, the organisations' voluntary financial education initiatives and other CSR and accountability practices might simply be public relations exercises aimed at, for example, enhancing the case organisations' competitive advantage by attempting to convince economically powerful stakeholders that these case organisations behave in a morally desirable manner (Roberts, 2003).

The overall findings of this study, as well as the theoretical and empirical contributions, implications for policy and practice, limitations of the study and recommendations for the industry are discussed in the next chapter which concludes this thesis.

CHAPTER 9: CONCLUSION

9.1 Introduction

This chapter starts in Section 9.2 with a summary of the research objectives and the methods undertaken, followed by a discussion on the uniqueness of the study compared to previous studies in Section 9.3. Section 9.4 continues with a discussion of the key findings. Section 9.5 then reviews the theoretical and practical contributions of the study, followed by a discussion on the policy and practice implications in Section 9.6. The limitations of the study are discussed and suggestions for future research are made in Section 9.7. This is followed by an overview of the main conclusions of the study in the final section of the chapter.

9.2 Summary of Research Objectives and Methods

This study explores the often complex relationship between CSR and accountability practices. This investigation is both theoretically and empirically grounded, which led to the development of a conceptual model that can be used to understand the inter-connectivity of the CSR and accountability practices undertaken by organisations. In this study, the CSR and accountability practices were evaluated in terms of their transformative potential in the Malaysian social, political and economic context.

The essential aim of this study was to evaluate a range of CSR and accountability practices in an attempt to gain some insights into how these practices have been used – either authentically or strategically/symbolically – by the case organisations to engage with stakeholders. Of particular interest were the voluntary financial education practices that appeared to have the potential to be effective mechanisms of discharging the social responsibilities and accountabilities of the case study organisations.

A review of prior studies on CSR and accountability revealed that little attention has been focused on the social and environmental responsibilities of financial sector organisations, particularly fund management companies. Consequently, little is known about unit trust industry managers' CSR and reporting responsibilities, and the accountability practices in place to discharge those responsibilities. Therefore, it is argued that it is important to empirically investigate how financial sector organisations, in particular Malaysian UTMCs, perceive and discharge their social responsibility and accountability to stakeholders. Filling this empirical gap is an important justification for addressing the research questions posed in this study.

Accordingly, this study proposed and developed the idealised stakeholder engagement model with four broad categories that can describe and evaluate CSR and accountability practices in the context of Malaysia's competitive and profit-driven financial sector. Conceptually, these four categories of stakeholder engagement were developed and described by referring to a number of criteria including motivations, intentions, mechanisms (processes and/or tools), as well as the stakeholders being addressed in the engagement.

This study used a case study approach that employed in-depth semi-structured interviews to gain an understanding about the motivations, rationale and choices made by the personnel involved in organising the CSR programs as well as the personnel responsible for preparing company reports in the context of the Malaysian unit trust industry. The data were mainly gathered through two series of interviews with the regulator, the self-regulatory body, and the case organisations and other industry participants. Consequently, this study has provided information on and insight into the motivations and intentions for such initiatives, and how the initiatives reflect or manifest the case organisations' understanding and attempts, as expressed by the key personnel involved, to discharge a broader concept of corporate responsibility and accountability that goes beyond economic and legal forms of responsibility and accountability.

In addition, data were collected through an intensive document review, and direct observations during the 2011 Malaysia Unit Trust Week, one of the voluntary financial education initiatives that have been recognised as a national event. The data collected from the document review and observation were mainly used: (i) to corroborate the interview findings, and (ii) to draw inferences regarding the case organisations' CSR and accountability practices (Yin, 2009).

9.3 Uniqueness of the Study

This section highlights the uniqueness of this study compared to prior research on CSR and/or accountability. Firstly, the context of the study is a unique aspect. The research setting of this study is the Malaysian unit trust industry which is:

(i) an important component of the Malaysian capital market which has recorded a phenomenal overall growth rate (Chapter 5, Table 5.2),

(ii) an important means of mobilising Malaysian domestic savings into the capital market, and

(iii) a critical means for increasing the *Bumiputera* ownership in the capital market via Federal Government UTMC to control and manage strategic companies, with the goal of a 30 percent holding of Malaysia's capital market by *Bumiputera* as mandated in the New Economic Plan.

Given these significant roles, the unit trust industry in Malaysia provides a unique research setting in which to gain new insights into the social responsibility and accountability relationships and practices in the financial sector.

While a considerable amount of research has been conducted into unit trusts, many of the previous studies were particularly interested in performance-related issues (see, for example, Chevalier and Ellison, 1999, Fletcher, 1999, Fletcher & Forbes, 2002, Gottesman and Morey, 2006, Jensen, 1968, Khorana et al., 2007). Although there are a few prior studies which investigated other issues, such as voluntary disclosure and governance (see, for example, Cremers et al., 2006, Ismail et al., 2001), there has been very little research addressing or examining the issue of CSR and accountability in this context.

This study, therefore, was undertaken in order to fill such gaps by theoretically developing the idealised stakeholder engagement model and using the model to empirically explain and evaluate CSR and accountability practices in the Malaysian financial sector, with a particular focus on voluntary financial education programs.

9.4 Addressing the Research Questions: Discussion of the Key Findings

This section discusses and summarises the key findings of this study as presented and discussed in Chapters 6, 7 and 8 in the light of the idealised stakeholder engagement model developed in Chapter 3. The following research questions were articulated to contextualise the research:

(i) How do the case organisations engage with stakeholders and what mechanisms are used in such practices?

(ii) What types of CSR initiatives and accountability practices have been undertaken by the case organisations?

(iii) Are the CSR initiatives and accountability practices undertaken to discharge the case organisations' social responsibility and accountability or to advance their hegemonic/business interests?

The next section addresses the first two research questions and the third research question is addressed in Section 9.4.2.

9.4.1 Engaging the Stakeholder: Addressing Economic Responsibility and Accountability and Embracing Broader Responsibility and Accountability

The evidence suggests that the case organisations have undertaken engagement initiatives using both formal, mandated mechanisms and informal, voluntary means that represent both action-based (CSR programs, events and activities) and account-based (reports) types of engagement. Account-based engagement was undertaken mainly through formal, mandated means including mandatory reporting and disclosure, which is commonly associated with financial, legal forms of accountability, to give formal accounts to specific stakeholders such as the unit holders and the regulator. This type of engagement is formal and distant in nature (Gray et al., 2006) because the engagement between the companies and the stakeholders is governed by specific legislation and regulations that determine the minimum requirements such as the terms and conditions of the engagement.

The engagements made through CSR initiatives reflected, to some extent, the case organisations' attempts to discharge corporate responsibilities beyond the economic and legal forms of responsibility. The voluntary financial education programs, for example, as the main CSR initiative among the case organisations, were undertaken by some of the companies with the substantive purpose to educate investors and members of the public. These efforts can be seen as a significant part of the case organisations' long-term efforts to develop a financially-literate society in Malaysia. The evidence suggests that, for these case organisations, the voluntary financial education initiative "is more often a result of felt responsibility" (Christensen and Ebrahim, 2006, p. 196) than the result of the pressure of external factors (O'Dwyer and Unerman, 2008) such as the regulations or market competition.

Regarding the engagement via accountability practices or mechanisms, it is observed that the Malaysian unit trust industry emphasises formal, mandatory and externally-driven accountability. The issuance of various acts, guidelines and standards by the industry regulators (Chapter 7, Tables 7.8 and 7.9) indicates that the business activities and operations of the industry players are closely governed and monitored. The mandatory requirement to periodically issue and register mandated reports and disclosures, such as the fund annual report and interim report, to the industry regulator as well as to make the reports available to the fund holders is one crucial means of account-giving (Ebrahim, 2003b) in the industry.

In addition to these reports, UTMCs are also required to submit online monthly reports to the industry regulator. These mandated reports have been recognised as the most widely used tool of formal forms of accountability which emphasise upward, hierarchical reporting of financial data, for example, to the investors and the industry regulators with little attention paid to accountability to other stakeholders (Ebrahim, 2003b).

These mandatory reports, which are in full compliance with the SC Malaysia reporting and disclosure requirements, are important to assist the relevant parties such as the unit holders to make an informed investment decision. These mandated documents, however, provide very little voluntary information. As presented in Chapter 6, it was found, for example, that there are limited voluntary disclosure practices in a unit trust fund's mandatory documents which are the fund's annual and interim reports. Even if the mandated reports are in full compliance, the companies do not go beyond the minimum requirement in those documents to consider aspects other than financial matters. Therefore, relying only on this formal, mandated report may not be enough to enable different stakeholders to critically understand and assess the activities and impacts of the case organisations.

Several reasons that discouraged the case organisations to engage in voluntary disclosure were mentioned by interviewees who were involved in the preparation of these reports. These reasons include the perception that the mandatory reporting and disclosure requirements are adequate, and the fear of breaching relevant guidelines which would incur stiff penalties. Hence, it is argued that the formal reports as part of stakeholder engagement initiatives were merely being used for formal 'account-giving' in order to discharge economic and legal accountability, particularly financially-focused upward accountability from the fund's manager to the unit holders and the industry regulators. The case organisations' concerns about the possibility of breaching guidelines or incurring penalties, in some ways, indicated the strong influence of hierarchical, upward, functional and external accountability in the Malaysian unit trust industry.

These forms of accountability are undeniably important to ensure the industry players' financial, economic and legal accountability towards the fund unit holders and the regulators are achieved. However, over-emphasising or focusing solely on these forms of accountability may restrict the discharge of accountability by the industry players to a narrow range of influential and powerful stakeholders

(O’Dwyer and Unerman, 2008). This narrow focus on external requirements should be of concern, as explained by Ebrahim (2003b, p.816) as follows:

> While important, these external approaches have only limited potential for encouraging organizations and individuals to take internal responsibility for shaping their organizational mission, values, and performance or for promoting ethical behaviour.

On the other hand, the case organisations did implement a variety of stakeholder engagement initiatives consisting of CSR activities and accountability mechanisms (Chapter 8, Table 8.1) which indicated that the organisations’ understanding about discharging responsibility and achieving accountability was not limited to the usage of formal, mandated means. The understanding expressed by most of the interviewees of corporate accountability and, indirectly, of responsibility concepts and mechanisms reflected the strong influence of the economic, legal responsibility and accountability framework; however, the empirical evidence indicated that some of the CSR programs and accountability practices reflected the case organisations’ attempts to discharge broader social responsibility and accountability duties.

As shown in Chapter 7 (Tables 7.1 and 7.5), various stakeholder engagement mechanisms were employed by the case organisations that might (or might not) enable them to be responsible and accountable to a wide range of stakeholders (O’Dwyer and Unerman, 2008). The organisations’ CSR initiatives, particularly the voluntary financial education programs of the government-sponsored UTMCs, for example, satisfied criteria that demonstrated a concern for ‘the others’ more than ‘the self’ (Roberts, 2003, Shearer, 2002). The satisfaction of these criteria may enable authentic, felt responsibility-driven engagements and relationships to be developed and maintained in the long term (Lehman, 2007). However, as discussed in Chapter 8, these initiatives were also used by the case organisations to further their own interests. Therefore, it is crucial to assess the elements of these initiatives to enable authentic engagements and strategic and/or symbolic engagements to be differentiated.

9.4.2 Engagement via CSR and Accountability Practices: Authentic, Strategic and/or Symbolic?

While some evidence suggested that the stakeholder engagement initiatives of some case organisations were authentic, it was also observed that the initiatives were actually part of the case organisations' public relations exercises (Roberts, 2003, Sklair and Miller, 2010). Like Roberts (2003), the present study found that the case organisations advanced their own agenda (Sklair and Miller, 2010), particularly through the voluntary financial education programs as "the concern expressed is not for the other but for how the other sees the corporations" (Roberts, 2003, p.256) and therefore "simply reflect the narcissistic concerns of the corporation to appear responsible" (Messner, 2009, p. 922). The business agenda advancement exercises also involved the selection of influential and powerful groups of stakeholders to be addressed in these voluntary initiatives. The evidence indicated that the stakeholders were identified by reference to the extent to which they needed to be managed in order to further the companies' interests (Gray et al., 1996).

The voluntary financial education initiatives by PSU and WA, for example, demonstrated many elements that align with the concept of strategic and/or symbolic CSR. Indeed, as indicated by the evidence, the voluntary financial education programs were mainly utilised or marketed by PSU and WA for business purposes. As observed, the motivation of PSU and WA was mainly driven by business interests rather than a concern for 'the other' (Roberts, 2003). The voluntary financial education programs were deliberately used to consolidate the companies' business interests and power (Sklair and Miller, 2010) by creating and recreating confidence and trust and gaining support from the two influential and powerful stakeholder groups in their businesses, namely, the existing clients and the general public as potential/prospective unit holders.

The evidence also suggested that the motivation of PSU and WA in undertaking the voluntary financial education initiatives was to be seen to be doing something good (Roberts, 2003), to make what is invisible (e.g., the company's brand and image) visible (Munro, 1996) and therefore served "only to facilitate business as usual" (Roberts, 2003, p. 257). Hence, it was not surprising to observe that the initiatives had been designed to target certain groups of stakeholders, namely, wealthy and professional people, who could afford to invest in the unit trust products, rather than the poor and rural people.

In contrast, the voluntary financial education initiatives undertaken by other case organisations can be seen as a manifestation of a genuine concern for the unit holders or clients (Dixon et al., 2006) and the general public or the community (Hudson (2000) in Taylor & Warburton, 2003), meaning that those case organisations were able to authentically discharge their social responsibility. This was particularly the case for the government-related UTMCs like FGU. Much of the evidence indicated that the stakeholder engagement initiatives of the government-related UTMCs were closely aligned with quadrant C in the idealised stakeholder engagement model. The evidence suggested, for example, that the motivations were mainly linked to the organisations' felt responsibility (Fry, 1995) to discharge their social responsibility. Moreover, the targeted stakeholders included the poor and the rich without discrimination of any groups in society.

It is appropriate to conclude that there was sufficient evidence to suggest, on balance, that the motivations of these UTMCs, particularly FGU, were to improve the existing conditions and opportunities of the 'others' rather than the 'self' (Roberts, 2003). Various stakeholder engagement practices and mechanisms were employed by FGU many of which were educative in nature and were targeted at disadvantaged groups in Malaysia with the aim to rebalance the distribution of wealth. Hence, the education initiative as undertaken by FGU could be potentially considered as an example of responsible engagement (Greenwood, 2007) through authentic CSR initiatives.

However, with regard to the accountability practices, it is obvious that the account-giving practices and mechanisms of the case organisations were limited to mandated, conventional reports such as the unit trust fund's and company's annual reports. Despite their commitment to engaging with stakeholders via a number of CSR initiatives, none of the case organisations except FGU provided social or environmental reports. Moreover, the evidence suggested that their mandatory reports and/or documents merely conformed to reporting and disclosure requirements with little to no effort made to give additional or voluntary information.

While the efforts of FGU to include a CSR report in its annual report could be seen as an attempt to discharge its social accountability duty, the 'voices' of its stakeholders were lacking. While this report can be considered as holistic in term of the aspects or issues presented and covered, without considering the stakeholders' views or voices on matters that might affect them, particularly the powerless stakeholders (Roberts, 2003), it is difficult to conclude that the FGU CSR report would enable a critical and dynamic dialogue to take place (Lehman, 1999, Thomson and Bebbington, 2005) of the type that may lead to change in the actual conduct of FGU (Roberts, 2003).

Based on the analysis of both the CSR practices and accountability practices of the case organisations, there is enough evidence to suggest that the engagement initiatives of PSU, WA and FIMM, particularly the voluntary financial education initiatives, were for strategic/symbolic reasons and many elements of the engagements were closely aligned with quadrant A of the idealised stakeholder engagement model, namely, symbolic and/or strategic CSR with formal, non-dialogic reports. In contrast, there was adequate evidence to suggest that, overall, the stakeholder engagements of FGU, SBSU and SSU were aligned with quadrant C of the model, namely, authentic CSR initiatives and holistic but non-dialogic account-giving mechanisms.

Given that one vital purpose of education is to empower people and to free people from a particular sense of oppression (Thomson and Bebbington, 2005), by educating investors and members of public, the case organisations in this study could be seen as empowering stakeholders by equipping them with some essential financial and investment knowledge. With this knowledge and information, they are given the right to resist, question and challenge, for example, the advice of the (financial) experts such as the unit trust consultants as well as enabling them to enter into a dialogue with the (financial) experts.

Moreover, educated investors are a far better protection from fraudulent transactions, are able to make choices as informed market participants and to value good corporate governance and CSR (SIDC,n.d.). It is acknowledged, however, that empowerment within the financial market sector context is limited when compared, for example, to the NGO/third sector. The ability of financial organisations to empower clients and the general public through financial education initiatives is limited to what the companies consider to be right or appropriate to impart, and there is a legitimate boundary in terms of their power in what they can and should do in educating investors and the general public.

In this regard it is worthwhile to highlight Lehman's (2007, p. 174) point that "when corporations do good things only to help themselves, there is a profound limit on just how much good they can do in fostering better relationships". One of the benefits of authentic CSR and accountability practices is that they could create better relationships between corporations and society that will benefit all in the long term. In the context of this study, the authentic CSR and accountability practices of the case organisations (as demonstrated, for example, by FGU) may help in closing the gap between the general public and the techno-autocrat experts. Here, the power imbalance in the relationship could be minimised as the general public and the investors are empowered with essential financial and investment knowledge that could make them aware of their rights.

Taking into account the competitive environment of the industry it is hardly surprising, however, to observe that the voluntary financial programs in particular have been used by some of the case organisations to serve a narrow, economic concept of responsibility. The possible reason for this is quite obvious as there are several significant benefits of this type of engagement initiative. First, as more people participate in the voluntary financial education programs, it is expected that more people will become aware of unit trusts and will become confident to invest in those funds which would then increase the volume of sales. This, in turn, boosts the performance of the company and increases the return to the investors and the shareholders (thus meeting the organisations' financial responsibility). Second, the case organisation's brand or image will be stronger and more visible, which is an effective strategy in the competition with other UTMCs.

It is also argued that the relationship between the concept of responsibility and accountability and the mechanisms of responsibility and accountability are reflexive in nature as both could inform and are informed by each other. The findings of this study suggest that the motivation that drives a person or an organisation to undertake an action-based (CSR) or accounts-based (accountability) engagement is vital in determining the form(s) of responsibility and accountability that such actions and/or accounts can achieve or discharge.

On the other hand, the findings indicate that there is a distinction between CSR/accountability motivations and CSR/accountability practices. Therefore, it is not possible to infer a motivation for CSR and accountability effectiveness merely based on the existence of these practices (Roberts, 2003, Greenwood, 2007, Sklair and Miller, 2010). As observed in the context of FGU (and FGUS) and PSU (and WA), the same 'action-based' stakeholder engagement initiative was used by both cases for different motivations or intentions. The difference in these case organisations' main motivations for undertaking the same voluntary initiative indicates, therefore, the importance of exploring and examining the substance of the CSR and accountability processes, practices and mechanisms in order to differentiate the authentic stakeholder engagement initiatives and the strategic and/or symbolic ones (Roberts, 2003, Greenwood, 2007). This difference may also illustrate the importance of particular organisational features in shaping the complex practices associated with discharging social responsibilities and accountability duties.

Many of the elements of the case organisations' education initiatives were closely aligned with two different categories in the idealised stakeholder engagement model, which echoes Gibbon's (2010) argument that the different formal and informal forms of accountability in practice are not as clearly defined as those developed in theoretical frames. In line with Gibbon's argument, it is not simply a matter of considering whether formal or informal is better; in reality, the complex set of responsibility and accountability relationships requires a mixture of both formal and informal CSR and accountability practices.

As noted in Chapter 4, this study was set in Malaysia's hybrid market economy-social welfare governance approach in a developing country context. As this study focused on the CSR and accountability practices of the case organisations within this particular governance approach, some of the conclusions may not be transferable to other countries. The case organisations' CSR and accountability practices and mechanisms were evaluated within this particular worldview and it was beyond the scope of this thesis to discuss the appropriateness of this political governance regime. Therefore, it was not the objective of this study to propose changes to the current system of governance. However, there are processes and practices that could be undertaken more effectively and some suggestions for how such processes and practices can be better delivered or implemented on a day-to-day basis are made in this chapter.

Based on the empirical findings, the study observes that, first, the CSR and accountability practices and mechanisms employed by the case organisations can be effective engagement initiatives that may benefit the stakeholders if certain criteria are fulfilled. Second, the ability or potential of the voluntary financial education initiatives to be authentic, substantive CSR initiatives is dependent heavily on the key organisational motivations for undertaking such an initiative – that is, whether it is primarily undertaken for the purposes of discharging social responsibility or whether it is mainly used for the business case (Roberts, 2003; Sklair and Miller, 2010). On the other hand, while there were a number of similarities in the case study organisations, there were also a number of significant differences. This may illustrate the importance of particular organisational features in shaping the complex practices associated with discharging social responsibilities and accountability duties.

The possible expected impacts of the voluntary financial education programs as the main CSR initiatives of the case organisations were discussed in Chapter 8. The next section provides a discussion on ways to improve this type of initiative further.

9.4.3 Voluntary Financial Education: Evaluations and Suggestions

The evidence suggested that the voluntary financial education program was the main CSR initiative of the case organisations. The voluntary financial education initiative had become the primary means used by the case organisations to engage with the stakeholders, particularly the investors and the general public. The financial education initiatives were undertaken in a variety of forms or approaches, including seminars, workshops, exhibitions, road-shows, talks, investment clubs, quizzes/contests, media programs, newspapers or online articles, newsletters, and through websites. Different approaches to conducting education initiatives are expected to have different degrees of effectiveness in imparting knowledge to investors and the public. This section, therefore, discusses the nature and characteristics of the voluntary financial education initiatives in order to assess the effectiveness of the approaches adopted.

While various approaches or forms of education initiatives may help in addressing/targeting diverse audiences, it was found that many, if not all, of the education initiatives that had been undertaken by the case organisations involved one-way communication from the organiser (for example, a speaker/panel) to the audience (for example, the event participants). These one-way communications includes seminars, talks, workshops, media programs, newspapers or online articles, and newsletters. Although some of these approaches (such as seminars or workshops) included a session for questions and answers, these forms of education initiatives make the educational process passive rather than an interactive and dynamic event that can encourage and stimulate the audiences.

It was also observed that many of the education programs such as annual newsletters are stand-alone in nature and not integrated in regard to the content and other education mechanisms. These approaches, although helpful in disseminating basic and essential financial and investment knowledge to the investors and the general public, need to be integrated with other types of education programs. With some improvements, the ability of the case organisations to fulfil or discharge their social responsibility and accountability to a broad range of stakeholders can be maximised.

Some education programs had been undertaken in such a way that two-way communication was accommodated, leading to an interactive and dynamic learning process. A good example of this type of program was the Smart Investment Club set up by FGU in 2000. This club held various integrated activities throughout the year for its members, including students from many secondary schools throughout the country. The club activities can be grouped into five categories: a primary activity such as a motivational seminar or career expo; a focused activity such as a debate or essay competition; an interactive activity such as a bulletin; a special activity such as a financial planning workshop; and weekly activities consisting of other types of events such as investment games.

A number of recommendations can be made for the case organisations as well as other industry players and the regulator to consider when undertaking voluntary financial education initiatives. Firstly, findings in the literature suggest that people have difficulty following through on planned actions, suggesting that education alone many not be sufficient; therefore, it is important to give consumers the tools to change their behaviours, rather than simply delivering financial education (Browning and Lusardi, 1996). Secondly, people differ widely in their degree of financial literacy, and saving patterns are very diverse (Browning & Lusardi, 1996). Accordingly, a “one-size-fits-all” education program will do little to stimulate saving and could even be a disincentive to participate in a financial literacy effort. For example, in a financial literacy survey in the US State of Washington (Moore, 2003), most of the respondents stated that they would prefer personalised ways to learn how to manage money rather than attend information sessions.

As noted earlier, regardless of approaches or forms, the voluntary financial education initiatives undertaken by the case organisations can generally be regarded as attempts that may enable these organisations to fulfil or discharge responsibilities that go beyond economic and legal responsibility. In addition, the initiative can be seen as a ‘collective’ action-based engagement that can benefit the industry and the country as a whole by, for example, facilitating the development of an investment-savvy or financially-literate society. The next section discusses the theoretical and empirical/practical contributions of the study.

9.5 Theoretical and Empirical/Practical Contributions

Theoretically, this study develops the idealised model of stakeholder engagement constructed from the interaction of two dimensions. The first dimension is constructed from a typology of CSR and the second dimension is constructed from a typology of accountability practices. The interaction of these two typologies is used to construct four broad categories of stakeholder engagements which are represented as quadrants in the model. The four generic categorisations of stakeholder engagement can be used to differentiate CSR and accountability practices undertaken due to authentic felt responsibilities or due to strategic advantage and/or symbolic purposes. This model provides a generic analytical framework which is able to evaluate CSR and accountability practices in a range of different contexts, and its usefulness is demonstrated by its application to the Malaysian unit trust market.

In the model, Quadrant A is the category of engagement whereby the organisation undertakes CSR initiatives either for strategic and/or symbolic reasons and produces formal, non-dialogic accounts. Quadrant B is the category of engagement whereby the organisation undertakes CSR initiatives merely for symbolic and/or strategic reasons and the organisation issues holistic reports that may or may not have dialogic potential. Quadrant C is the category of engagement whereby CSR initiatives are undertaken genuinely by the organisation as its felt responsibility to ‘give back’ to its stakeholders but the accounts produced by the organisation are formal and non-dialogic. Quadrant D is the category of ideal engagement. An organisation in this category not only undertakes genuine CSR initiatives, it also produces social and environmental reports that offer space for an authentic, critical and substantive dialogue between the organisation and its stakeholders (Thomson and Bebington, 2005, Unerman and Bennett, 2004), as well as its mandated financial reports. The model should be seen as a continuum rather than as a rigid scale as each category represents a range of stakeholder engagement types undertaken through CSR and accountability practices.

Empirically, this study attempted to provide new or additional insights into the CSR and accountability practices of the case organisations in the context of the Malaysian unit trust industry as part of the Malaysian financial market sector. In doing so, the idealised stakeholder engagement model was used to evaluate the empirical evidence relating to the case organisations' CSR and accountability practices in the attempt to add new insights to the existing CSR and accountability literature. Many previous empirical studies on CSR and accountability have focused on the CSR reporting of publically-listed companies; therefore, the findings of this study, which was based on the CSR and accountability practices of an under-investigated research context, may add new empirical insights to the broader CSR and accountability discourse.

In order to have a clear although partial picture of the stakeholder engagement via CSR and accountability practices of the case organisations, the study was based on evidence gathered from various sources. It was observed that: (i) the voluntary financial education initiatives as the main CSR program of all the case organisations exhibited, to varying degrees, the concepts of engagement in Quadrants A and C; and (ii) except for FGU, the account-giving mechanisms of the case organisations were limited to mandated financial reports, and the analysis of the content of these reports indicated that the accountability practices of these case organisations were formal and non-dialogic in nature. While the FGU annual report included CSR sections, there was no evidence to suggest that this report had dialogic potential.

The case organisations' use of a wide range of CSR practices and mechanisms, to some extent, exhibited elements of different conceptualisations of business responsibility (Carroll, 1999) to include ethical and discretionary responsibility. The variety of CSR practices and mechanisms employed by the case organisations such as FGU and SBSU suggested that their understanding about discharging responsibility was not limited to economic and legal responsibilities even though they were operating in a highly regulated industry.

In addition, this study contributes to previous work analysing CSR practices in the financial services sector (see, for example, Chambers and Day, 2009, O'Sullivan and O'Dwyer, 2009, Thien, 2011, Prior and Argandoña, 2009a, 2009b). The other potential contribution of this study is to offer empirical reinforcement of the finding in previous studies on the importance of exploring and evaluating the elements and consequences of CSR and accountability practices and mechanisms in order to infer the motivations and assess the effectiveness of these processes and practices (Lehman, 1999, Roberts, 2003, Sklair and Miller, 2010).

A further potential contribution of this study is that, by exploring, explaining and evaluating the case organisations' CSR initiatives such as the voluntary financial education initiatives, this study empirically reinforces the criticism of CSR programs as being limited in what they currently achieve and focused more on rhetoric than on a substantive discharge of responsibility to the broader community (see, for example, Roberts, 2003, Bendell, 2005, Sklair and Miller, 2010, Thieng, 2011). The findings of the study also have some implications for policy and practice which are discussed further in the next section.

9.6 Implications for Policy and Practice

The policy and practice implications of the study include some significant inputs that might benefit the relevant stakeholders. For SC Malaysia as the industry regulator, the inputs can assist its efforts to build a responsible industry. For the industry players, the implications can assist organisations to undertake more effective and genuine voluntary CSR initiatives that serve broader social purposes.

9.6.1 Policy Implications

One of the key policy implications of the findings relates to the SC Malaysia 2008 Investor Education Blueprint. The voluntary financial education initiatives undertaken by the case organisations appear to be in line with one objective of the blueprint, which is to encourage market players to take responsibility that is beyond the their financial and legal responsibility (Carroll, 1979), by educating their investors as part of efforts to develop a responsible industry. In other words, the finding suggests that the aim of the blueprint to encourage the market players to educate investors is working. The financial education initiatives of the case organisations, in fact, have gone beyond the objective of the blueprint as the case organisations have taken a role in educating not only their investors but the general public as well.

The voluntary financial education initiatives undertaken by the case organisations, however, were varied in many ways including the scope, the topics, the target stakeholders and audience, accessibility and methods (Chapter 7, Table 7.3). The divergence in such practices is not surprising as the education blueprint did not specify in detail how the education initiative should be carried out but, instead, stated that the initiative could be part of the marketing activity of the market players.

The extent to which the diversity in such practices is acceptable is unclear. For example, the government-sponsored UTMCs, in particular FGU and FGUS, were implementing education programs in much more interactive ways, such as through the Smart Investment Club. These organisations were also spending a huge amount of money to educate the public, including the rural and the poor, compared to the private-sponsored UTMC that were focused on targeting wealthy and professional investors in their financial education programs.

In addition, while the education activities and programs of the government-sponsored UTMCs covered basic financial planning and investment topics and were accessible by anyone, the topics covered by a PSU and WA investment seminar, for example, were quite advanced and could be hardly understood by someone who did not have basic financial or investment knowledge. While the differences in such practices may not create any issues in the short term, it is expected that an effect could be observed in the longer term: for example, the financial literacy gap among the audience would be increased, as advanced topics would only be understood by certain groups.

Moreover, the evidence indicates that all of the case organisations are delivering financial education programs, but not all are delivering the program effectively. Although the education initiatives undertaken by the case organisations, to great extent, met the intention of SC Malaysia, there is still room for improvement. While flexibility makes it easy for the market players to undertake education activities, some guidelines are needed on the implementation of education initiatives. Such guidelines are essential to ensure the education initiative is effective and really ‘educates’, benefits and empowers the intended audience. The guidelines should cover the scope and topics of financial and investment knowledge to be disseminated in the education programs, and ideas for the types of events or courses that organisations may consider when undertaking the initiative.

In addition, the guidelines may outline the general criteria that an n education initiative should meet, such as accessibility and interactivity. It is expected that, in the long term, the effective implementation of collective education initiatives could help increase the investors’ and general public’s knowledge and understanding of finance and investment so that they will be more informed, more critical in managing and planning their personal financial matters and at the same time have the ability to identify and avoid fraudulent transactions such as investment scams.

Another key policy implication of the findings relates to the reporting and disclosure guidelines of the industry. While the study found that the mandated reports of all four UTMCs were in compliance with the reporting and disclosure requirements of SC Malaysia, very little voluntary or additional information was provided by these UTMCs, with only FGU taking the initiative to issue a CSR report. It might be argued that adequate and full disclosure of financial information is sufficient to help the relevant stakeholders such as the unit holders to make informed investment decisions. However, non-financial information, particularly information that explains and discusses the social and environmental impacts of the case organisations' business activities and operations, might help other stakeholders to assess the (positive and negative) contributions made by these companies to the society and the nation.

The disclosure of such information can be seen as part of the 'exercise' or 'training' to develop more responsible and accountable industry players (Securities Commission Malaysia, 2007) who are concerned not only with economic, financial and legal responsibilities and accountability but also willing to embrace social responsibility and accountability. To materialise this goal, it is crucial for SC Malaysia to take the initiative to encourage the industry players to provide such disclosure through their reports or websites. However, appropriate and adequate guidelines need to be developed to ensure that such CSR disclosure is an authentic, substantive report rather than a strategic and/or symbolic gesture that serves the organisation's own interests (Lehman, 1999, Roberts, 2003, Thomson and Bebbington, 2005).

9.6.2 Implications for Practice

In general, the voluntary financial education programs, events and courses delivered by the case organisations could be improved so that they are more effective, benefit more Malaysians and work well as substantive CSR processes and practices. As discussed previously, many of the education programs implemented by the case organisations took a passive pedagogical approach which involved one-way communication such as the publication of newsletters or articles and seminars or workshops. Hence, it is suggested that the methods used in the educating processes could be improved to take an interactive dialogic approach (Thomson and Bebington, 2005), such as the FGU Smart Investment Club. Such an approach to financial education encourages dynamic interactions, and creates direct and personal engagement between the case organisations and the audiences that could increase the effectiveness of the learning processes.

Some changes are also recommended for the Unit Trust Week. This is a national event that has attracted millions of visitors over the years. Building on its success, some amendments could be undertaken to make this education event work well as a pure or substantive CSR initiative. For example, the event's educative purpose could be served better by holding the education activities at the front or main exhibition area and situating the salespeople and marketing activities at the second level of the exhibition area. This would also ensure that the sales agenda does not overshadow the educative purpose of this large, significant education event which has the potential to be an effective 'action-based' stakeholder engagement mechanism not only for FGU but for the other organisations that participate in this event including SC Malaysia. The next section discusses the limitations of the study and makes recommendations for future research.

9.7 Limitations and Recommendations

This research was based on an investigation of five case organisations in the context of the Malaysian unit trust industry. Therefore, generalising the empirical findings of this study to different contexts may be not possible or appropriate. As discussed in Chapter 4, the selected case organisations are not representative and hence the study lacks external validity. In addition, considering the research paradigm and approach adopted in this study, the findings are a matter of perspective (Morgan, 1988), context-bound (Jones, 1982), and limited and partial (Morgan, 1988). Hence, the findings from this research cannot be generalised to the wider population or applied to different settings, such as a unit trust industry in another country. However, it was not the objective of this research to generalise the findings to other or different contexts (Yin, 2009).

This study was carried out in Malaysia which has a hybrid market economy-social welfare governance approach in a developing country context. As this study focused on the CSR and accountability practices of the case organisations within this governance approach, some of the conclusions may not be transferable to other countries. Although care must be exercised in interpreting the findings from the five case organisations, this study does allow some tentative conclusions to be reached with regard to stakeholder engagement in the context of the Malaysian unit trust industry via the CSR initiatives, particularly the voluntary financial education programs, and the accountability practices which are worthy of further research.

In addition, similar to Adams (2002, p. 245), the interview data yield insight into the motivations and intentions behind the case organisations' engagement initiatives that cannot be achieved by studying the extent and nature of such practices in relation to a selection of specified variables alone.

Three recommendations can be made that would be useful or of interest to the relevant parties. The first recommendation is relevant to policy-makers. It would be helpful and useful to continuously encourage the industry players to substantively incorporate and integrate an education agenda that goes beyond the marketing activity. Efforts such as dialogues between the regulator, the industry players and the stakeholders are crucial and need to be undertaken continuously to help the industry players see the education agenda as part of their social responsibility. In addition, to partly ease and facilitate the education processes, it is necessary for SC Malaysia to provide more specific guidelines on the content, target and effective types of education initiatives.

The second recommendation relates to the individual unit trust consultants who are the front-line intermediaries in direct contact with potential and existing investors. All unit trust consultants should be fully trained, knowledgeable, responsible and competent in advising the potential and existing investors. The third recommendation is that a formal financial and investment education syllabus should be included in the school curriculum, with the learning process starting at an early age and being consistent (from primary school through to the workplace) as families and schools have an important role in conveying basic education about savings and investing (Fanto, 1998-1999, p. 38).

With regard to future research, there are three possible areas that could be considered for future study. The first relates to the scope of the study. Future study could be undertaken by examining the impact (effectiveness/efficacy) of the UTMCs CSR initiatives, particularly the voluntary financial education initiatives, on the public and investors' financial literacy and how this further assists the practice of discharging social responsibility. As highlighted by Braunstein and Welch (2002, p. 449), while financial literacy programs have clearly proliferated, research measuring the effectiveness of the training or analysing the efficacy of financial literacy programs has not kept pace.

The second recommendation for future research relates to the research setting. The prescriptive idealised stakeholder engagement model developed in this study can also be used to explore and evaluate CSR and accountability practices in different contexts or settings such as publically-listed companies or government-linked companies. The research setting could also be broadened to explore and examine the substance of the voluntary financial education initiatives of other organisations in the market and/or public sector.

Finally, in addition to in-depth semi-structured interviews and the thorough analysis of documents, it would also be worthwhile to observe several CSR and accountability processes and practices for a longer period of time in order to gain deeper or new insights and understanding of such practices among financial sector organisations and in other contexts as well.

9.8 A Final Note

There has, to date, been little empirical work on the means by which financial sector organisations engage with stakeholders via CSR (action-based) and accountability (account-based) initiatives. Hence, this study developed a conceptual idealised model of stakeholder engagement with a focus on both CSR and accountability practices and, at the same time, also empirically explored how such a model would be helpful in assessing the CSR and accountability initiatives of the case organisations.

Much more work needs to be done in the future to further understand such practices in the context of the financial sector and to see how the model could help make sense of the CSR and accountability practices in the sector. As a starting point for future work, the examples drawn from the case studies helpfully illustrate that CSR and accountability practices are a social process, producing a partially socially constructed portrayal of the case organisations and showing how various pressures such as economic and political influences shape the motivations underlying the organisations' engagement initiatives.

Examples of authentic stakeholder engagement initiatives were discovered in this study, and it is worthwhile to consider the potential consequences of the wider adoption of such practices. For example, as organisations are learning to become more responsible and accountable, the voices of those to whom they are discharging responsibility and accountability might in turn begin to shape the organisations. The case organisations in the present study are powerful industry players with a range of diverse stakeholder groups; the widespread adoption of authentic CSR and accountability practices in organisations such as these has the potential to transform the currently formal, narrow, economic forms responsibility and accountability practices in the industry.

The voluntary financial education initiatives are one type of vehicle that can be used in action-based stakeholder engagement. The discharge of authentic corporate social responsibilities through such processes and practices is one way that organisations can become more effective. Through setting that example, it might transform some aspects of governance in society to be more effective and might build the capacity to enable that sort of transformation. The change is not necessarily going to happen but it creates a possibility. As Lehman (2007, p. 172) pointed out:

> The fact that these authentic [relationships] do not yet widely exist as standard business practice is not in itself evidence that they cannot exist and will not exist.

This possibility, albeit idealistic, gives a clear vision of why researchers, industry practitioners, and stakeholders alike should be interested in authentic, substantive CSR and accountability practices.

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APPENDIX:

A. Interview questions session/phase 1

(a) UTMC

Interview Questions
1. Background Information a. What is your role and responsibility in the company? b. Can you tell me some background information about the company? c. How would you define your organization in the context of the unit trust industry? **2. Responsibility/Accountability Relations** a. In the unit trust industry, whom do you classify as your key stakeholders? Why are they important? b. What do you understand by the term ‘accountability’? **c. Disclosure Practice in the Industry** a. How do you report and disclose information? b. Besides mandatory reports, do you provide voluntary information? c. How and why are you providing such information? **d. Expected Future Development** a. In the future, what do you see as challenges in reporting and disclosure practices in the industry? b. How it will affect your responsibility and accountability relations with the investors and other key stakeholders?

(b) Advisers

Interview Questions
1. Background Information a. What is your role and responsibility in the company? b. Can you tell me some background information about the company? c. What are the roles and responsibilities of CUTA in the industry? **2. Responsibility/Accountability Relations** a. In the unit trust industry, whom do you classify as your stakeholders? b. What do you understand by the term ‘accountability’? c. How do you discharge your accountability to the investors and other key stakeholders? **3. Disclosure Practice in the Industry** a. In gathering data about particular unit trust funds, to what extent do you rely on the mandatory reports and disclosure prepared by the unit trust management company (UTMC)? b. What role does reporting and disclosures play in accountability relationship in the industry? c. What is your opinion about the information provided voluntarily by the UTMCs e.g. in their website? d. How do voluntary disclosure practices help you to discharge your accountability? e. In your opinion, how do voluntary disclosure practices benefit the unit holders? **4. Expected Future Development** a. In the future, what do you see as challenges in reporting and disclosure practices in the industry? b. How it will affect your responsibility and accountability relations with the investors and other key stakeholders?

(c) Industry Regulator/ Self-regulatory Body

Interview Questions
1. Background Information a. What is your role and responsibility? b. In general, what is the role and responsibility of this organization in the capital market? c. How would you define your organization in the context of the unit trust industry? d. How important is the unit trust sector to the Malaysian economy? e. How do you describe the development of the unit trust industry for the last 15 years? **2. Responsibility/Accountability Relations** a. In the unit trust industry, whom do you classify as your stakeholders? b. How are you responsible to them? And how they are responsible to you? c. From the SC point of view, who is the most responsible party to the investor? d. What do you understand by the term ‘accountability’? e. How does it relate to your responsibility relationships with your stakeholders in the industry? f. What are the means for the key players (e.g. Management Company, advisers/consultant) to discharge their accountability to the investors? **3. Disclosure Practice in the Industry** a. What are the main factors that have been considered in setting the **reporting and disclosure regulatory framework**? b. What are the critical points for disclosure? c. To whom should the disclosure be provided? d. Why is disclosure important to the industry? e. What role does disclosure practice play in the accountability relationship? f. What do you see as challenges in reporting and disclosure practices in the industry? g. Besides the mandatory reports, what other sources of information can the investor refer to? h. What is your opinion about the voluntary disclosure practices in the industry? i. How and to whom do you think the voluntary disclosure should be provided? j. What are the key factors that drive the voluntary disclosure in the industry? k. How do the voluntary disclosure practices benefit the investors?

(c) Industry Regulator/ Self-regulatory Body (continued)

Interview Questions
4. Expected Future Development a. How has the **reporting and disclosur**regulatory framework for the industry **changed** over the years? b. What are the impacts on reporting and disclosure? c. What are the drivers for change? d. How do the changes affect the accountability relations in the industry?

B. Interview questions session/phase 2

Interview Questions
1. Discussion on initial research findings **Themes/ issues:** Voluntary initiatives-public & investor education, industry practices, responsibility, CSR, accountability, decision making **2. CSR and, Public and Investors' Education Initiatives** a. Why does your organization voluntarily organize education initiatives to the public and investors? b. What drives your organization to be involved in various education initiatives? c. How do such education initiatives affect your organization? d. How important are the initiatives to your organization and to the government? e. What are the factors that influence your organization's initiatives to educate the public? f. How do these initiatives assist your organization to discharge its accountability to the stakeholders? **3. Social Entrepreneurship (only applicable to FGU)** a. How significant is the concept to your organization group? b. How does the concept relate to your organization's voluntary education initiatives? c. How does the concept help your organization to discharge its accountability to its stakeholders, in particular the public and unit holders? **4 .Expected Future Development** In the future, what do you see as challenges in the unit trust industry with regard to the relationship between UTMC and its unit holders as well as the public?