RELATIONSHIPS BETWEEN CORPORATE SUSTAINABILITY INITIATIVES ON EMPLOYEES AND FINANCIAL PERFORMANCE OF COMPANIES IN MALAYSIA

OZIGI OMOYI OBEITOH

GSM 2018 1
RELATIONSHIPS BETWEEN CORPORATE SUSTAINABILITY INITIATIVES ON EMPLOYEES AND FINANCIAL PERFORMANCE OF COMPANIES IN MALAYSIA

By

OZIGI OMOYI OBEITOH

Thesis Submitted to Putra Business School, in Fulfillment of the Requirements for the Degree of Master of Science

January 2018
COPYRIGHT

All materials contained within the thesis, including without limitation text, logos, icons, photographs and all other art work, is copyright material of Universiti Putra Malaysia unless otherwise stated. Use may be made of any material contained within the thesis for non-commercial purposes from the copyright holder. Commercial use of material may only be made with the express, prior, written permission of Universiti Putra Malaysia.

Copyright © Universiti Putra Malaysia
DEDICATION

This thesis is dedicated to the glory of our Lord Jesus Christ the giver of knowledge, the custodian of great wisdom and the ruler of the entire universe.
RELATIONSHIPS BETWEEN CORPORATE SUSTAINABILITY INITIATIVES ON EMPLOYEES AND FINANCIAL PERFORMANCE OF COMPANIES IN MALAYSIA

By

OZIGI OMOYI OBEITOH

January 2018

Chairman :  Ridzwana Mohd Said, PhD
Faculty :  Putra Business School

The study investigates the level of corporate sustainability disclosure on employee and the extent to which such disclosure influences financial performance of companies. The study examines relationship between five dimensions of corporate sustainability initiatives on employees and financial performance. The study covers a six year period of 2010 to 2015 of 253 public listed companies in Malaysia. This study employs two-step system generalized method of moment (GMM) for analysis.

The findings reveal a low level of employee disclosure by companies in Malaysia which is consistent with previous studies. The study establishes the need for government involvement to enhance disclosure as voluntary disclosure appears to be inadequate to achieve the desired result as evidence shows that countries where disclosure is compulsory have high disclosure compare to countries with voluntary disclosure.

The result of the study indicates strong association between some measures of financial performance and some dimensions of corporate sustainability disclosure on employees. It also establishes the importance of employee welfare in corporate sustainability disclosure on employee. Employee welfare has strong relationship with NPM, ROE and EPS. In addition, the dimensions of employee welfare, employee workplace and employee human rights show consistent results with NPM, ROE and EPS.
It also demonstrates the importance of corporate sustainability initiatives on employee in maintaining competitive advantage, industrial harmony, employee loyalty and commitment which can improve financial performance.
Abstrak tesis yang dikemukakan kepada senat Universiti Putra Malaysia sebagai memenuhi keperluan untuk ijazah Master Sains

PERHUBUNGAN ANTARA INISIATIF KELESTARIAN KORPORAT KE ATAS PEKERJA DAN PRESTASI KEWANGAN SYARIKAT-SYARIKAT DI MALAYSIA

Oleh

OZIGI OMOYI OBEITOH

Januari 2018

Pengerusi : Ridzvana Mohd Said, PhD
Fakulti : Putra Business School


Penemuan ini mendedahkan bahawa tahap pendedahan pekerja oleh syarikat-syarikat di Malaysia adalah rendah, yang mana konsisten dengan kajian terdahulu. Kajian ini membuktikan perlunya penglibatan kerajaan untuk meningkatkan pendedahan, kerana pendedahan sukarela tidak mencukupi untuk mendapat hasil yang diinginkan. Bukti menunjukkan bahawa negara-negara yang mempunyai pendedahan wajib mempunyai kadar pendedahan yang tinggi berbanding dengan negara-negara dengan pendedahan sukarela.

Hasil kajian juga menunjukkan hubungan yang kuat antara beberapa ukuran prestasi kewangan dan beberapa dimensi pendedahan korporat terhadap pekerja. Ia juga membuktikan kepentingan kebajikan pekerja dalam pendedahan kemapanan korporat, dimana kebajikan pekerja mempunyai hubungan yang kuat dengan NPM, ROE dan EPS. Begitu juga dengan dimensi kebajikan pekerja, tempat kerja dan hak asasi pekerja menunjukkan beberapa hasil yang konsisten dengan NPM, ROE dan EPS.
Ia juga membuktikan bahawa pentingnya inisiatif kemapanan korporat terhadap pekerja dalam mengekalkan kelebihan daya saing, keharmonian perindustrian, kesetiaan dan komitmen pekerja yang dapat meningkatkan prestasi kewangan syarikat.
ACKNOWLEDGEMENTS

I appreciate the efforts and supervision of my supervisory committee chaired by Dr. Ridzwana Mohd Said and Dr. Zaidi Bin Mat Daud. Their valuable critique and corrections made this study a successful one. I remain indebted to you and appreciate your supervisory role. It would have been a tough journey without your valuable and insightful contributions.

In addition, I appreciate efforts of all the lecturers in Putra Business School for their value added lectures and tutelage. The lectures received added so much value to me in my research journey. To my family, I say thank you especially my mum and my daughter for their prayers and support while I was away on this study. Also my friends, especially Kolawole Adebayo, Oke Kolade, Olusola Adebayo, Ibrahim Mahmoud, Hezelina and Muritala Alabi for being there at every critical point.

Above all, I thank God for adequate provision all through the period of the study and beyond.
I certify that a Thesis Examination Committee has met on 3 January 2018 to conduct the final examination of Ozigi Omoyi Obeitoh on his thesis entitled "Relationships between Corporate Sustainability Initiatives on Employees and Financial Performance of Companies in Malaysia" in accordance with the Universities and University Colleges Act 1971 and the Constitution of the Universiti Putra Malaysia [P.U. (A) 106] 15 March 1998. The Committee recommends that the student be awarded the Master of Science.

Members of the Thesis Examination Committee were as follows:

Nor Aziah Abu Kasim, PhD
Associate Professor
Faculty of Economics and Management
Universiti Putra Malaysia
(Chairman)

Ong Tze San, PhD
Associate Professor
Faculty of Economics and Management
Universiti Putra Malaysia
(Internal Examiner)

Muslim Har Sani Bin Mohamad, PhD
Associate Professor
Faculty of Economics and Management
International Islamic University
Malaysia
(External Examiner)

PROFESSOR DR. M. IQBAL SARIPAN
Deputy Vice Chancellor (Academic & International)
Universiti Putra Malaysia

Date:

On behalf of,
Putra Business School
This thesis was submitted to the Senate of Universiti Putra Malaysia and has been accepted in fulfillment of the requirement for the award of degree of Master of Science. The members of the Supervisory committee were as follows:

**Ridzwana Mohd Said, PhD**  
Senior Lecturer  
Faculty of Economics and Management  
Universiti Putra Malaysia  
(Chairman)

**Zaidi Bin Mat Daud, PhD**  
Senior Lecturer  
Faculty of Economics and Management  
Universiti Putra Malaysia  
(Member)

---

**PROFESSOR DR. M. IQBAL SARIPAN**  
Deputy Vice Chancellor (Academic & International)  
Universiti Putra Malaysia

Date:

On behalf of,  
Putra Business School
Declaration by graduate student

I hereby confirm that:

- this thesis is my original work;
- quotations, illustrations and citations have been duly referenced;
- this thesis has not been submitted previously or concurrently for any other degree at any other institutions;
- intellectual property from the thesis and copyright of thesis are fully-owned by Universiti Putra Malaysia, as according to the Universiti Putra Malaysia (Research) Rules 2012;
- written permission must be obtained from supervisor and the office of Deputy Vice-Chancellor (Research and Innovation) before thesis is published (in the form of written, printed or in electronic form) including books, journals, modules, proceedings, popular writings, seminar papers, manuscripts, posters, reports, lecture notes, learning modules or any other materials as stated in the Universiti Putra Malaysia (Research) Rules 2012;
- There is no plagiarism or data falsification/fabrication in the thesis, and scholarly integrity is upheld as according to the Universiti Putra Malaysia (Graduate Studies) Rules 2003 (Revision 2012-2013) and the Universiti Putra Malaysia (Research) Rules 2012. The thesis has undergone plagiarism detection software.

Signature: _______________________ Date: __________________

Name and Matric No.: Ozigi Omoyi Obeito, PBS1423840
Declaration by Members of Supervisory Committee

This is to confirm that:

- the research conducted and the writing of this thesis was under our supervision;
- supervision responsibilities as stated in the Universiti Putra Malaysia (Graduate Studies) Rules 2003 (Revision 2012-2013) were adhered to.

Chairman of Supervisory Committee

Signature: __________________________
Name: Dr. Ridzwana Mohd Said
Faculty: Faculty of Economics and Management

Member of Supervisory Committee

Signature: __________________________
Name: Dr. Zaidi Bin Mat Daud
Faculty: Faculty of Economics and Management
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABSTRACT</td>
<td></td>
<td>i</td>
</tr>
<tr>
<td>ABSTRAK</td>
<td></td>
<td>iii</td>
</tr>
<tr>
<td>ACKNOWLEDGEMENTS</td>
<td></td>
<td>v</td>
</tr>
<tr>
<td>APPROVAL</td>
<td></td>
<td>vi</td>
</tr>
<tr>
<td>DECLARATION</td>
<td></td>
<td>viii</td>
</tr>
<tr>
<td>LIST OF TABLES</td>
<td></td>
<td>xiii</td>
</tr>
<tr>
<td>LIST OF FIGURES</td>
<td></td>
<td>xiv</td>
</tr>
<tr>
<td>LIST OF APPENDICES</td>
<td></td>
<td>xv</td>
</tr>
<tr>
<td>LIST OF ABBREVIATIONS</td>
<td></td>
<td>xvi</td>
</tr>
</tbody>
</table>

## CHAPTER 1

1 INTRODUCTION
   1.1 Introduction
   1.2 Background of the study
      1.2.1 Dimensions of corporate sustainability
      1.2.2 Corporate sustainability initiatives on employees
   1.3 Problem statements
   1.4 Objectives of the study
   1.5 Research questions
   1.6 Justification of the study
   1.7 Significance of the study
   1.8 Scope of the study
   1.9 Summary of the chapter

## CHAPTER 2

2 LITERATURE REVIEW
   2.1 Introduction
   2.2 Empirical analysis of corporate sustainability initiatives on employees
      2.2.1 Level of corporate sustainability disclosure in Europe
      2.2.2 Level of corporate sustainability disclosure in America
      2.2.3 Level of corporate sustainability disclosure in Asia
      2.2.4 Level of corporate sustainability disclosure in Malaysia
   2.3 Empirical studies on corporate sustainability initiatives and financial performance
   2.4 Empirical studies on corporate sustainability initiatives on employee.
   2.5 Discussion and conclusion
   2.6 Gaps identified from reviewed literature
   2.7 Theories
      2.7.1 Legitimacy theory
2.7.2 Stakeholder theory 24
2.8 Legal and regulatory framework on corporate sustainability initiatives on employee 26
2.8.1 Malaysia Companies Act and the future direction on legal/regulatory framework 27
2.9 Global Reporting Initiatives on corporate sustainability initiatives on employee 28
2.9.1 Global Reporting Initiative framework 29
2.10 Conclusion 31

3 RESEARCH METHODOLOGY 32
3.1 Introduction 32
3.2 Theoretical framework 32
3.3 Research Hypotheses 34
3.3.1 Corporate sustainability initiatives on employee welfare and financial performance 36
3.3.2 Corporate sustainability initiatives on employee workplace and financial performance 37
3.3.3 Corporate sustainability initiatives on employee training and financial performance 38
3.3.4 Corporate sustainability initiatives on employee health and safety and financial performance 39
3.3.5 Corporate sustainability initiatives on employee human rights and financial performance 40
3.3.6 Control variables 41
3.4 Research design 42
3.4.1 Population of study 43
3.4.2 Sampling method 43
3.4.3 Sample size 43
3.4.4 Unit of analysis 44
3.5 Measurement of variables 45
3.5.1 Measurement of independent variables 45
3.5.2 Measurement of dependent variables 46
3.5.3 Measurement of control variables 47
3.6 Data collection 48
3.6.1 Sources of data collection 48
3.6.2 Method of data collection 50
3.7 Normality 51
3.8 Regression analysis 51
3.9 Method of Estimation 52
3.10 Conclusion 52

4 FINDINGS AND ANALYSIS 53
4.1 Introduction 53
4.2 Samples for data analysis 53
4.3 Normality test 54
4.4 Test of multicollinearity 55
4.5 Correlation 56
4.6 Corporate sustainability disclosure on employee 56
  4.6.1 Disclosure on employee welfare 56
  4.6.2 Disclosure on employee workplace 57
  4.6.3 Disclosure on employee training and development 57
  4.6.4 Disclosure on employee health and safety 58
  4.6.5 Disclosure on employee human rights 58
  4.6.6 Corporate sustainability initiatives on employee (CSIE) 58
4.7 Relationship between individual dimension of CSIE and financial performance 60
  4.7.1 Relationship between EWF and financial performance 61
  4.7.2 Relationship between EWP and financial performance 62
  4.7.3 Relationship between ETD and financial performance 63
  4.7.4 Relationship between EHS and financial performance 63
  4.7.5 Relationship between EHRs and financial performance 64
4.8 Company size, age, environmental sustainability and financial performance 67
4.9 Conclusion 68

5 DISCUSSION AND CONCLUSION 69
5.1 Introduction 69
5.2 Discussion 69
5.3 Level of sustainability disclosure on employees. 69
5.4 CSIE and financial performance 71
5.5 Recommendations and implication of study 74
5.6 Contribution of the study 75
  5.6.1 Theoretical contribution 75
  5.6.2 Policy contribution 76
  5.6.3 Practical contribution 76
5.7 Suggestions for future study 76
5.8 Conclusion 77

REFERENCES 78
APPENDICES 93
## LIST OF TABLES

<table>
<thead>
<tr>
<th>Table</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1 Operationalization of variables</td>
<td>51</td>
</tr>
<tr>
<td>4.1 Initial and actual sample size</td>
<td>53</td>
</tr>
<tr>
<td>4.2 Distribution across industry</td>
<td>54</td>
</tr>
<tr>
<td>4.3 Descriptive statistics</td>
<td>55</td>
</tr>
<tr>
<td>4.4 Multicollinearity</td>
<td>56</td>
</tr>
<tr>
<td>4.5 Results of multiple regression analysis***sig. level at 1%, **sig. level at 5% *Sig. level at 10%</td>
<td>66</td>
</tr>
</tbody>
</table>
## LIST OF FIGURES

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>Historical evolution of corporate sustainability</td>
<td>2</td>
</tr>
<tr>
<td>3.1</td>
<td>Research framework</td>
<td>33</td>
</tr>
<tr>
<td>3.2</td>
<td>Expanded research framework</td>
<td>34</td>
</tr>
<tr>
<td>4.1</td>
<td>Level of disclosure</td>
<td>60</td>
</tr>
</tbody>
</table>
# LIST OF APPENDICES

<table>
<thead>
<tr>
<th>Appendix</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Literature matrix</td>
</tr>
<tr>
<td>2</td>
<td>The highlights of hypotheses, research objectives and statement problems</td>
</tr>
<tr>
<td>3</td>
<td>Construct of measurement of sustainable disclosure on employee</td>
</tr>
<tr>
<td>4</td>
<td>List of environmental sustainability disclosure items</td>
</tr>
<tr>
<td>5</td>
<td>Statistics table</td>
</tr>
<tr>
<td>6</td>
<td>Descriptive statistics</td>
</tr>
<tr>
<td>7</td>
<td>Correlation matrix</td>
</tr>
<tr>
<td>8</td>
<td>Summary of Coefficient and T values of the model</td>
</tr>
<tr>
<td>9</td>
<td>Regression Model of NPM, IVs and control variables</td>
</tr>
<tr>
<td>10</td>
<td>Regression Model of ROE, IVs and control variables</td>
</tr>
<tr>
<td>11</td>
<td>Regression Model of EPS, IVs and control variables</td>
</tr>
<tr>
<td>Abbreviation</td>
<td>Definition</td>
</tr>
<tr>
<td>--------------</td>
<td>-------------------------------------------</td>
</tr>
<tr>
<td>EWF</td>
<td>Employee Welfare</td>
</tr>
<tr>
<td>EWP</td>
<td>Employee Workplace</td>
</tr>
<tr>
<td>ETD</td>
<td>Employee Training and Development</td>
</tr>
<tr>
<td>EHS</td>
<td>Employee Health and Safety</td>
</tr>
<tr>
<td>EHRs</td>
<td>Employee Human Rights</td>
</tr>
<tr>
<td>ROE</td>
<td>Return on Equity</td>
</tr>
<tr>
<td>NPM</td>
<td>Net Profit Margin</td>
</tr>
<tr>
<td>EPS</td>
<td>Earnings per Share</td>
</tr>
<tr>
<td>CSIE</td>
<td>Corporate Sustainability Initiatives on Employee</td>
</tr>
<tr>
<td>GRI</td>
<td>Global Reporting Initiatives</td>
</tr>
<tr>
<td>CSR</td>
<td>Corporate Social Responsibility</td>
</tr>
</tbody>
</table>
CHAPTER 1

INTRODUCTION

1.1 Introduction

The writing of this chapter is divided into eight main sections as follows: section 1.1 analyses background of the study alongside the three dimensions of corporate sustainability in general and corporate sustainability initiatives on employee in particular as well as historical evolution of corporate sustainability. Section 1.2 highlighted the problem statements while sections 1.3 and 1.4 stated the research objectives and research questions respectively. Sections 1.5 and 1.6 discuss the justification of the study and significance of the study respectively while section 1.7 explains the scope of the study. Finally, section 1.8 provides the summary of the chapter.

1.2 Background of the study

The Dow Jones Sustainability Index (2005) defines corporate sustainability as follows:

“Corporate sustainability is a business approach that creates long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments. Corporate sustainability leaders achieve long-term shareholder value by gearing their strategies and management to harness the market’s potential for sustainability products and services while at the same time successfully reducing and avoiding sustainability costs and risks”.

The scope of corporate sustainability started with environmental sustainability, the scope was later extended to economic and social sustainability. The increase in scope was as a result of growing demand from stakeholders as well as improved legislation (Khan and Korac Kakabadse, 2014).

The growing demand from stakeholders has witnessed a more robust agitation in the last 35 years; which implies that corporate sustainability has evolved over time in an attempt to meet the dynamic needs of users, agitation from stakeholder, regulators and government. Business operations have become more challenging in recent times owing to legal, regulatory, environmental and social disclosures, as well as the more complex nature of modern business and greater sophistication (Ernst and Young, 2009). Corporate sustainability has evolved in quantity, quality, depth and content since inception, especially in developed countries. It has developed from disclosing financial data to non-financial disclosure (ACCA, 2010).
Figure 1.1 : Historical evolution of corporate sustainability  
Source: ACCA (2005) 

FAR: Financial accounting disclosure and reporting  
FACG: Financial aspect of corporate governance  
ES: Environmental sustainability  
CSR: Corporate social responsibility reporting  
CS: Corporate sustainability  

Figure 1.1 explains the evolution and historical reporting of financial information and non-financial information. It has developed from disclosure of core financial information in 1850s to disclosure of corporate governance in 1980s. It took another dimension (environmental disclosure) in the 1990s, as well as social accounting disclosure in the late 1990s. In response to stakeholder demand, corporate sustainability which encompasses environmental, economic and social came into limelight in 2000s till date. Essentially, corporate sustainability has developed in content, complexity, degree and dimension. 

From the aspect of corporate financial accounting, disclosure requirements and practices have been evolving over time in an attempt to improve the quantity, quality and content of disclosure. This disclosure includes financial and non-financial disclosures (IAASB 2011). Corporate reporting plays significant role in corporate disclosure and remains the principal means of communicating financial and non-financial disclosure to investors and stakeholders. Corporate sustainability has evolved over time; it is a part of an evolutionary process as attention is now being shifted to non-financial disclosures such as disclosure on employee, environment and social in addition to the traditional disclosure (Ernst and Young, 2009; Joshi and Gao, 2009; Mohamad, Mohamed, Ismail and Ibrahim, 2014).
1.2.1 Dimensions of corporate sustainability

Corporate sustainability has been reviewed and explained by both academic scholars and practitioners from three dimensions of environmental, economic and social disclosure (Forster, 2013; Gupta and Kumar, 2013; Choi and Ng, 2011). These three basic dimensions according to Visser (2007) and Elkington (1998), are what is called triple bottom line which include social, environmental and financial. These were later referred to as 3Ps of sustainability, which is people, planet and profit (Forster, 2013; Choi and Ng, 2011; Chabowski, Mena and Gonzalez-Padron, 2011).

In addition, corporate firms with sustainability drive pay attention to economic, legal, ethical, environmental, social, philanthropic as well as other stakeholders’ expectations. Consequently, corporate sustainability is linked to business ethics, corporate citizenship, stakeholders’ engagement, sustainable development, sustainability initiative on employee, sustainable finance, socially responsible investment as well as social network (Amaeshi and Adi, 2007).

(A) Economic dimension (Profit)

The economic angle to corporate sustainability refers to financial viability. It involves market creation, market penetration, and long-term profitability (Crittenden, Crittenden, Ferrell, Ferrell and Pinney, 2011). Economic dimension is increasingly being understood to imply greater value in wider scope rather than conventional financial profit (Searcy, Dixon, and Neumann, 2015). Choi and Ng (2011) and Sheth, Sethia and Srinivas, (2011), postulated explanations and definitions of economic dimension to corporate sustainability. Two types of economic dimensions were put forward:

(i) Conventional/traditional financial performance: This includes cost reduction, sales growth, gross profit, net profit, and profit after tax explain convention accounting profit. They argued that this tend towards profit maximization which is one of firm’s objective

(ii) Economic interest of external stakeholders: this concept according to Choi and Ng, (2011), has wide range improvement in good living, well-being and standard of living of the people. It tends towards social wealth distribution and income equality. The hallmark of this concept is well-being and standard of living.

(B) Environmental dimension (Planet)

This dimension explains the effects of businesses on: humans, ecology, living and non-living things (including land, air and water). Business firms are expected to be environmentally responsible; such environmental responsibility involves compliance with regulations, green initiatives and energy efficiency. It includes a company holistic
approach towards: business operation, product line, business products, business processes and services, waste elimination, reduction in greenhouse gas in line with Kyoto protocol, maximizing the efficiency and productivity of all assets and resources as well as minimizing practices, methods and processes that may affect the planet and environmental well-being of future generation (Choi and Ng, 2011).

(C) Social dimension (People)

Although, the rationale and idea behind sustainability generally refer to economic, environmental and social pillar, the in-depth meaning of what constitute social pillar of sustainability still remains elusive and inexplicit. Dempsey, Bramley, Power and Brown (2011), Vifell and Soneryd (2012) and Forrester (2012) explained that social pillar remains the most elusive pillar in corporate sustainability discourse. In addition, social dimension of sustainability has not received much attention as others due to lack of statistical data (Cuthill, 2009, Vavik and Keitsch, 2010). The social dimension however centers on people, host community and social welfare of the people within the host community and most importantly the employees.

Given that environmental and economic dimensions of corporate sustainability have well researched, there is need to examine social dimension of corporate sustainability which appears to be the least researched among the three dimensions of corporate sustainability. Consequently, this study examines corporate sustainability initiatives on employee which is one of the aspects of social dimension of corporate sustainability. Basically employees remain important stakeholder in corporate sustainability issues; however focus has not been on them.

According to ACCA (2015) and review of some selected reports, sustainability in Malaysia are largely environmental, economic, community and philanthropic based. Disclosure on corporate sustainability initiatives on employee is evidently missing, and where it existed, is rather reported in a vague and inexplicit manner, despite the fact that employees remain important component of sustainability framework of Bursa Malaysia 2006 as amended in October 2015. The fact that Malaysia is at infancy stage of corporate sustainability disclosure in general (Abd-Mutalib et al., 2014; Aman et al., 2015; Amran and Devi 2008; Sulong and Mat Nor, 2010), makes disclosure on corporate sustainability initiatives on employee fairly challenging.

1.2.2 Corporate sustainability initiatives on employees

The awareness on corporate sustainability initiatives on employees and the need for companies to be socially responsible to their employees and other stakeholders are on the increase. The level of corporate sustainability initiatives on employee is increasing across the globe as a result of stakeholders’ demand. This is more so in developing countries like Malaysia with increasing stakeholders’ awareness. The increasing awareness can enhance disclosure which may result in competitive advantage among
companies in Malaysia. It has been proven that corporate sustainability can create new opportunity and competitive advantage as companies brand their corporate sustainability initiatives to reflect corporate personalities and business strategy (Deloitte, 2013; Kadlubek, 2015). Thus companies that embrace disclosure of corporate sustainability initiatives on employees present themselves as good corporate citizens and may attract good, qualified, committed and loyal employees.

The corporate sustainability initiatives on employees helps companies to manage stakeholder’s relationship with employees which enhances employees and employers relationship (Ernst & Young and Boston College Centre, 2014). Through disclosure, companies reports their contribution towards their employees which appears to be a vital component of communication with employees and it solely shows how companies acts to improve well-being of their employee which is source of competitive advantage.

Basically corporate sustainability initiatives on employee addresses current employees concerns such as employee welfare, health and safety of employees at workplace, employees training and development, human rights issues such as discrimination in workplace along gender, age, ethnic and tribal lines. According to World Bank (2014), poor employee welfare is responsible for brain drain in Malaysia while discrimination along gender and ethnic lines halts career growth and diminishes employee self-confidence and productivity according to report by Women Aid Organization. Thus disclosure of these initiatives put a company in a vintage position which ultimately leads to better financial performance (Kiron, Kruschwitz, Haanaes, Reeves and Goh, 2013).

1.3 Problem statements

Williams and Adams (2013), in their study opined that corporate sustainability initiatives on employee is important because lack of such initiatives can impact negatively on employee’s decision and other stakeholders because of lack of adequate and meaningful information. A problem therefore arises where insufficient or inadequate information on corporate sustainability initiative on employee is disclosed, thereby not giving potential employees opportunity to make meaningful decisions (such as career switch) as meaningful decisions are contingent on availability of disclosed initiates on corporate sustainability on employee.

Additionally, prior studies revealed the positive effect of corporate sustainability on corporate financial performance (Ameer and Othman, 2012; Rodriguez-Fernandez, 2015; Tang, Hull and Rothenberg, 2012), therefore inadequate or poor corporate sustainability initiatives on employee may affect employee loyalty and performance which may in turn have significant effect on corporate financial performance as a result of poor quality employees as good employees will prefer to work for companies with strong corporate sustainability initiatives on employee.
In a general term, a recent report by Bursa Malaysia (2015) reveals that Malaysian local investors are beginning to consider sustainability factors in their investment decision-making processes. Given the increasing focus by investors, poor, level of corporate sustainability performance and disclosure may affect access to capital, locally and globally which may have consequences on corporate financial performance. In specific terms however, poor corporate sustainability initiatives on employees may affect hiring and retaining quality employees, this may result in poor productivity and poor financial performance. Therefore, it is imperative to investigate level of disclosure and corporate financial performance because it is capable of improving corporate performance as evident in 4.4% increase in share price in 2012 among socially responsible companies according to the study conducted by Ernst Young and Boston College Centre (2014).

Additionally, studies by Abd-Mutalib, Jamil and Wan-Hussin (2014); Amran and Devi (2008); Sulong and Mat Nor (2010); Aman, Ismail and Bakar (2015) confirmed poor levels of environmental sustainability disclosure in general. Specifically, this study investigates level of disclosure on corporate sustainability initiatives on employee to determine extent of disclosure of CSIE in particular.

According to the World Bank (2014), a total of 308,834 highly skilled Malaysians moved overseas. The most alarming and disturbing about the report is that the trend is increasing as the numbers of Malaysians moving abroad have increased by 300% in the last two decades. According to this report, two out every ten skilled Malaysians prefer to work abroad; this has led to brain drain. The reason for brain drain according to report is majorly poor employee welfare especially among fresh and inexperience graduates, occupational stress and lack of cooperation, collaboration and mutual trust among employees. The effect of this is that companies based in Malaysia will not have the best employees to work with and this is capable of affecting productivity and corporate financial performance. If the trend is not curbed Malaysia may end up being a training ground for other countries without benefiting from such training, this may have a devastating effect on corporate financial performance of companies operating in Malaysia as a result of brain drain. This study hopes to address the brain drain challenge by carrying out a study on corporate sustainability initiatives on employee as it affects employee welfare and financial performance.

Furthermore, the United Nations Development Programme in its report posits that if female labour force participation rate is increased to 70% it would boost Malaysia GDP by 2.9%. This 2.9% GDP growth forecast notwithstanding, issues relating to human discrimination and abuses in workplace in Malaysia are high. Discrimination across gender, age and ethnic groups are prevalent in Malaysia. Report by Women’s Aid Organization (2016), indicates that more than 40% women have experienced gender discriminations in workplace while discriminations along ethnic lines are also high. The effect of discrimination on employees can result in low self-esteem, halt career growth, slow down productivity and ultimately affect corporate financial
performance hence the need to study corporate sustainability initiatives on employee especially employee human rights so as to address the discrimination in workplace.

Besides that, issue of employee poaching where employee jumps from one employer to another owing to poor employee welfare is a major challenge in Malaysia. This has affected company's ability to retain employees and created problem of high labour turnover and its attendant consequences on financial performance owing to high recruitment cost (Abdullah, 2009). The problem of poor employee disclosure, brain drain, human rights discrimination and poaching and its consequences on productivity and ultimately financial performance requires urgent and detailed study hence this study.

1.4 Objectives of the study

This study aims at the following objectives

1. To investigate level of disclosure on corporate sustainability initiatives on employee among listed companies in Malaysia.
2. To investigate the relationship between corporate sustainability initiatives on employee welfare and corporate financial performance in Malaysia.
3. To investigate the relationship between corporate sustainability initiatives on employee workplace and corporate financial performance in Malaysia.
4. To investigate the relationship between corporate sustainability initiatives on employee training and development and corporate financial performance in Malaysia.
5. To investigate the relationship between corporate sustainability initiatives on employee health and safety and corporate financial performance in Malaysia.
6. To investigate the relationship between corporate sustainability initiatives on employee human rights and corporate financial performance in Malaysia.

1.5 Research questions

The study intends to find answers to the following research questions:

1. What is the level of disclosure on corporate sustainability initiatives on employee in Malaysia?
2. Is there any relationship between corporate sustainability initiatives on employee welfare and corporate financial performance among listed firms in Malaysia?
3. Is there any relationship between corporate sustainability initiatives on employee workplace and corporate financial performance among listed firms in Malaysia?
4. Is there any relationship between corporate sustainability initiatives on employee training and development and corporate financial performance among listed firms in Malaysia?
5. Is there any relationship between corporate sustainability initiatives on employee health and safety and corporate financial performance among listed firms in Malaysia?
6. Is there any relationship between corporate sustainability initiatives on employee human rights and corporate financial performance among listed firms in Malaysia?

1.6 Justification of the study

Considering well developed streams of literature on corporate sustainability and literature on financial sustainability as well as environmental sustainability, there are gaps in literature regarding social aspect of sustainability (Dempsey et al., 2011; Vifell and Soneryd, 2012), particularly on employee sustainability initiatives. The gap between social aspects of sustainability, especially as it relates to employee sustainability initiatives and financial performance remains embarrassingly large as academics and practitioners have observed (Aguinis and Glavas, 2012; Cuthill, 2009).

Apart from earlier studies Adams and Harte (1998) and Adams and McPhail (2004), who examined gender based disclosure, gender inequality, sustainability disclosure on female employees and employment relating to ethnic dominance against the minority ethnic group respectively, there are inadequate literature that examine corporate sustainability disclosure on employee (Williams and Adams, 2013). However, a few studies on corporate sustainability on employee measure effect of sustainability on employee motivation (Singh and Paithankar, 2015).

Various researchers often address how it affects important stakeholders, especially investors (Bauman and Skitka, 2012; Ioannou and Serafeim, 2010; Przychodzen and Przychodzen, 2013) and customers (Arikan and Guner, 2013; Priyanko Guhait, Mark Anner, and Luorong Wu, 2010). But notably, researchers seem to have neglected the employees (Aguinis and Glavas, 2012; Bauman and Skitka, 2012).

Despite the wide range of claims that employees are vital stakeholders in corporate sustainability discourse (Freeman, 2010; Global Reporting Initiative (2008); Global Reporting Initiative (2011), Organization for Economic Co-operation and Development (OECD), (2004), these lacuna still persist as corporate sustainability initiatives on employee remain grossly inadequate and heavily under-represented in literature. This study bridges this gap and examines the association between corporate sustainability initiatives on employee and firms’ performance. In addition, there are growing evidence that disclosure by firms in Malaysia is on the decline as there are no increase in content and quality of disclosure despite the Bursa Malaysia sustainability
framework of 2006. This is because corporate sustainability is seen as a kind gesture or philanthropic activities or as an act of community giving in Malaysia (Ioannou and Serafeim, 2014). Hence environmental and economic sustainability are at primitive stage in Malaysia when compare to UK and USA. This research assists in creating the needed awareness on corporate sustainability initiatives on employee and financial performance and level of disclosure in Malaysia.

Employee issues were found to be vital because employees are important internal stakeholders in corporate sustainability issues (Branco and Rodrigues, 2008; Williams and Adams, 2013). However, the extent of such disclosure appear to differ across industry sectors (Ratanajongkol et al., 2006), suggesting that context is important in corporate sustainability initiatives on employee. According to Williams and Adams (2013), corporate sustainability initiatives on employee tend to exhibit country specific patterns because regulatory framework, social and political terrain are the main context that play a role in shaping such initiatives as well as the extent of disclosure of such initiatives. This justifies the need to study corporate sustainability initiatives on employee within Malaysia context.

1.7 Significance of the study

An upward trend in corporate sustainability initiatives on employee is gradually being noticed across the globe owing to the fact that companies operating in developed parts of the world such as Australia, Finland, Canada and most importantly the United Kingdom and the United States of America have been disclosing corporate sustainability initiatives information in response to stakeholders’ agitation.

The findings in developed countries in respect of corporate sustainability initiatives on employee are not the same as that of developing countries. In developing countries, disclosure of sustainability initiatives on employee remains predominantly and significantly low (Williams and Adams, 2013). However, there appears to be an increasing interest and demand from stakeholders for more disclosure on corporate sustainability initiatives on employee. This study provides window of opportunity for business firms and organizations in identifying and disclosing various corporate sustainability initiatives on employee which traditional financial reporting system may not have reported.

To the practitioners, this study gives corporate and business firms the opportunity to identify a way of saving costs on employee recruitments as CSIE reduces labour turnover. It also provides an array of opportunities to corporate firms to identify, manage and meet stakeholders’ demand and inspires them to provide disclosure on corporate sustainability initiatives on employee information voluntarily. This, in the long run, will make employees, customers, society and stakeholders visualize the company as being socially responsible with positive effect on the company’s image and social legitimacy.
In addition, this study contributes to knowledge by coming up with CSIE index for business firms and companies in Malaysia to adopt in a bid to improve on CSIE. Furthermore, this study brings forward the corporate sustainability initiatives on employee, its measurement as well as analysis in line with GRI 2014 guidelines. This may also assist and educate policy makers to formulate policy in line with GRI 2014 guidelines.

Finally, the study serves as a reference point for future research on corporate sustainability initiatives on employee among listed companies in Malaysia. Similarly, it will serve as inspiration to other interested researchers that may want to carry out similar studies given the emerging nature of Malaysian economy.

1.8 Scope of the study

Considering the fact that Bursa Malaysia corporate sustainability framework was launched in 2006, it is important to look at the employee dimensions 10 years after this framework was launched, given the dearth of information on corporate sustainability initiative on employee. The study drew sample from listed companies on the floor of Bursa Malaysia (Malaysian Stock Exchange). To this end, the samples were drawn across various sectors with particular interest in industries that make employees more vulnerable to challenges.

The sample size of 256 was initially earmarked from listed firms in Malaysia. The total population size was total number of listed firms on floor of Bursa Malaysia. Bursa’s record shows 811 firms in March 2016; a sample size of 253 was eventually selected after 3 samples were dropped due to non-availability of data. Banks and financial sectors were not included in this study. The study covers the activities of these 253 companies for years 2010 to 2015 only, because the annual report for year 2016 will not be ready as at the completion of this study.

Furthermore, the study covers five keys of employee corporate sustainability variables which are: employee welfare, employee workplace, employee training and development, employee health and safety, and employee human rights initiatives.

1.9 Summary of the chapter

This chapter provides the roadmap for this study. The chapter explains the evolution of corporate sustainability, problem statements, the research objectives and questions were formulated for the study.

The rest of this study will be divided into four chapters. Chapter 2 represents literature review in line with constructs highlighted in research objectives. The Chapter 3 deals
with theoretical framework and hypothesis development, while chapter 4 deals with data analysis and findings. The concluding chapter, which is chapter 5, presents the discussion of findings and conclusion.
REFERENCES


Andrikopoulos, A., & Kriklani, N. (2013). Environmental disclosure and financial


ACCA (Association of Chartered Certified Accountants) Malaysia 2005, Sustainability reporting guidelines for Malaysian companies


Bhattacharyya, A. (2014). Factors associated with the social and environmental


opportunities. *Journal of the Academy of Marketing Science, 39*(1), 55–70.


Ernst & Young, & Boston College Centre. (2014). Value of sustainability reporting - A study by EY and Boston College Center for Corporate Citizenship. 1–32.


83


Kadłubek, M. (2015). The essence of corporate social responsibility and the


