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The Framing Effects of Stakeholder's Power and Sustainability Disclosure

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ABSTRACT

Using news framing theory and stakeholder salience theory, we test the effect of power frames for several types of stakeholders (shareholders, employees, customers, business partners, community, government, NGOs, media) on sustainability disclosure. We identify the indication of power according to framing theory in annual report and use that to develop the score of power for stakeholders. We provide association between power of stakeholders and sustainability disclosure in order to asserts that managers do not treat all stakeholders equally. The prioritization of stakeholders is based on the power possess by the stakeholder groups. The study adopted journalism approach and observed the element of power in sustainability disclosure using content analysis method. The paper implements panel data regression models to test how stakeholder power influences the sustainability disclosure of 140 companies in construction and property sector in Malaysia. The finding from three years of observation suggest that among the eight (8) stakeholders that we tested, only community power is positively related with sustainability disclosure. This study improves our understanding of firm's disclosure by demonstrating that the market stakeholders (shareholders, employees, customers and business partners) are not perceived important to managers to increase the level of information in sustainability disclosure. Besides, it provides scarce empirical evidence that not only primary stakeholders, but also secondary stakeholders are influential with regards to management decision-making. And more specifically, it offers insight into why some stakeholder groups are better able to influence disclosure decisions than other. The study is also practical for firm's to identify which stakeholder's attributes that can improve sustainability disclosure.

Keywords: Stakeholder salience theory; Corporate Social Responsibility; Financial Accounting & Reporting.