

Influence of Corporate Information Disclosure on Community and Society Development on Firm's Marketing Performance of Companies Listed on The Stock Exchange of Thailand

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Abstract

The study of influence of corporate information disclosure on community and society development on firm's marketing performance relied on the data from annual report (Form 56-1), annual financial statement, footnotes to financial statement, and corporate social responsibility report in 2016 of companies listed on the Stock Exchange of Thailand, from the sample of 200 companies. Data were analyzed with multiple indicators and multiple causes (MIMIC) model of structural equation model. The data analysis results indicated that the model based on hypotheses was consistent with the empirical data. The statistical testing values can be said that corporate information disclosure on community and society development (DCSD) had impact on increasing firm's marketing performance (TBSQ) with a statistical significant level of .05 at coefficient value of 0.12.

Keywords: Community Development, Disclosure, Firms' Marketing Performance

Introduction

Doing business with corporate social responsibility is adjustment trends that business and industry sectors give importance to. Problems and impact caused by businesses without corporate social responsibility seem to be more violent. Problems such as polluted environment, global warming, flood, consequences of cold and heat temperature extremes, child labor, or even opposition of society and community have severe impact on businesses. Therefore, companies have to review whether the way they do business takes part in such of those problems or not (Elving, 2013: 278). Awareness of those problems has effect on companies to give importance to corporate social responsibility. Government and private sectors as well as nonprofit charitable organizations intend to see companies to do their business not only for turnover or optimum business profit or do their business so as to follow the rules and regulations of laws only but companies shall realize about impact on stakeholders as well (Doh et al., 2010: 1471; Choi & Wang, 2009: 898; Collison et al., 2008: 19). Doing business with corporate social responsibility shall have impact upon company's good image and reputation. It has been found that giving importance to responsibility with community and environment is deemed to establish and accumulate good reputation in a good manner that can mostly last long. Then, the aspect about responsibility for community and environment is a point that companies give importance to so as to gain good reputation or reflect firm's performance and their performance in the past that was accumulated for such a long time (Nguyen & Leblanc, 2001: 234).

In Thailand the concept of corporate social responsibility was introduced in 1999 by having influence from the western world. It can be seen that the driving of corporate social responsibility activities in the past 20 years has been strong and growing continually (Working Group on Corporate Social Responsibility and Environment Business Compass,

2008). It can be evidenced from the way that organizations from public and private sectors provided rewards to many companies who successfully implemented corporate social responsibility activities. Most successful companies in corporate social responsibility activities are those who gave importance to manipulate a report of corporate sustainability turnover or known as “Triple Bottom Line” according to the concept of John Elkington (1980) who proposed companies not to search for business profits only but also give importance to economic, society, and environment which can be regularly seen in developed countries. European Commission (2015) described consistently that social responsibility was the way companies do their businesses according to governing laws so as to accomplishment in social and environmental aspects though activities in doing business. It can be seen that concept, principles and research studies that reflect the success of implementing corporate social responsibility activities most likely pay attention to being accepted by society and communities. The concept of setting strategies for management companies to be successful and sustainable relies on the way that companies have to respond to community and society; community and society development, responsibility to owners and shareholders (Hawkins, 2006; Jamali, 2008). Companies have to make understanding with stakeholders through manipulating of relationship process so as to respond to many points proposed by stakeholders while activities have to be implemented without taking advantage of community and society in an appropriate manner (Lindgreen & Swaen, 2010: 4) Rhodes et al. (2014). It has been found that social responsibility, social capital, shared value, and good relationship with community and society have effect on corporate sustainable development. In 2010, the study of Gholami found that creating good image with community and society was considered establishing positive reputation to companies. It was consistent with the concept of Carroll & Buchholtz (2006) who stated that corporate social responsibility referred to responsibility to economy, law, ethics, and charity. This concept was consistent with International Organization for Standardization, 2007 who stated that corporate social responsibility was responsibility caused by effect of corporate activities on community, society and environment, with transparency, ethics, and morality. Therefore, the researcher sees the mentioned importance that shall reflect from corporate information disclosure on community and society that has impact on firm’s marketing performance so that companies shall have competitive advantage, creating firm performance growth and to find guidelines for corporate information disclosure on community and society that are appropriate with companies listed on the Stock Exchange of Thailand in the future.

Research Objectives

The objective of this research study aims to analyze causal relationship of influence of corporate information disclosure on community and society development on firm’s marketing performance of companies listed on the Stock Exchange of Thailand.

Literature Review

There are 3 substantial theories used for determining research conceptual frameworks: (1) stakeholder theory and (2) resource-based view.

1. Stakeholder Theory is a theory continuously developed since 1970 (Freeman, 1984). The theory focuses on organizational policies that affect stakeholders who are involved with organizations by considering Need, Interest, and Effect caused by policies and firm performance of the organizations. The way that organizations can survive or collapse depends on righteousness between stakeholders and organizations (McWilliams & Siegel, 2001). The study of stakeholder theory has a point that stakeholders lead to community and society development to create a chance in improving firm’s performance. Gholami found that

creating good image for community and society was considered to be establishing positive reputation for companies. Meanwhile, Carroll & Buchholtz (2006) found that corporate social responsibility referred to responsibility to economy, law, ethic, and charity. This concept was consistent with International Organization for Standardization, 2007 who stated that corporate social responsibility was responsibility caused by effect of corporate activities on community, society and environment, with transparency, ethics, and morality. Consequently, the researcher used this theory to support this research study.

2. Resource-based View (RBV) or opinion towards fundamental resources of business, it is a managerial framework used to determine the strategic resources with the potential to deliver comparative advantage to a firm. It has effect on efficient long-term performance of organizations with this advantage can be last in a sustainable manner. Kirati Yosyingyong (2006) stated that outstanding resources that could create competitive advantage were resources that other organizations did not have. Resources that are unique and valuable are (1) tangible resources have a physical form, are visible, touchable, and countable (Akachai Apisakkul and Tassana Boonkwan, 2006) such as factory, equipment, land, tool, goods, debtor, deposit, etc., (2) intangible resources mean resources that are not physical in nature, cannot be touched and difficult to assess the fundamental value such as patents, trademark, brand, reputation, company networking, and data base. In this research, RBV was used to describe organization capability which considered intangible resource (Itami, 1987) and describe ability to operate of companies. The mentioned method is organization capability in using resources to achieve their goals. It is organizational coordination. Ability can be shown at all times in tangible and intangible resources, especially competitive advantage in financial competition that ability often relies on fundamental of development and information exchange.

Research Framework

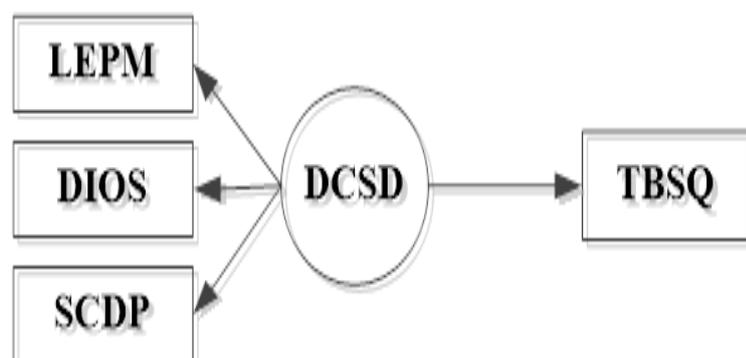


Figure 1 research conceptual framework

Table 1 Abbreviation of variables and indicators

Variables	Variables Abbreviation	Types of variable	Measurement
Disclosure of the Community and Social Development	DCSD	Latent variable	Disclosure of the Community and Social Development
Local Employment	LEPM	Observed variable	Number of items disclosure
The Development and its Impact on Society	DIOS	Observed variable	Number of items disclosure

Table 1 (Con.)

Variables	Variables Abbreviation	Types of variable	Measurement
Social and Community Development Policy	SCDP	Observed variable	Number of items disclosure
Tobin's Q ratio	TBSQ	Observed variable	Tobin's Q ratio

Research Hypotheses

H1a: Corporate information disclosure on community and society development had direct positive influence on firm's marketing performance.

Methodology

Population

The population in this study was companies listed in the Stock Exchange of Thailand in 2016. The sample of this study was 200 companies. Structural equation model (SEM) was used to analyze data. For data analyzing, the sufficient samples were required so as to obtain accurate and reliable parameter values. Components used to determine the sample size for analysis were (1) identification of error in conjunction with model characteristics, (2) the size of model, (3) standard deviation and (4) estimation. Hair et al. (1998) suggested that appropriate sample size was 100-200 samples. The researcher determined 5 conditions in selecting samples from the population as follow:

1. They are not MAI-listed companies since they cannot obviously identify objectives of fundraising which probably affects report on the corporate social responsibility and data analysis (Booth et al. 2000, Sukeharoensin, 2003).
2. They are not companies in financial business since companies in this business have operational structure, financial structure and some business transactions that are different from other groups of company. The Bank of Thailand issued regulations governing accounting record for financial institutions to set out accounting guidelines for financial institutions to apply them for the same standard in addition to the accounting standard regulated by Federation of Accounting Professions, (Notification of The Bank of Thailand about regulations governing accounting record for financial institutions, the Bank of Thailand, 2013).
3. They are not companies that are delisted from the Stock Exchange of Thailand. Due to the revocation of delisting securities, the companies shall be terminated listing status and unable to trade securities in the Stock Exchange (Regulations of the Stock Exchange of Thailand governing the delisting of listed securities, The Stock Exchange of Thailand, 1999).
4. They are not companies that being in a recovery period and Securities and Exchange Commission (SEC) ordered to revise financial statements because the companies shall be asked to stop trading securities in the Stock Exchange temporarily until the companies shall have successful business rehabilitation process (Guidelines on Disclosure of Information of Listed Company Entering into Business Rehabilitation Process under the Bankruptcy Act, The Stock Exchange of Thailand, 2000) or in the case that SEC order to rectify financial statements and re-submit such financial statements to the SEC office, then they shall be able to trade securities (Timely Disclosure of Information of Listed Companies, The Stock Exchange of Thailand, 2004).
5. They are not listed companies in the Stock Exchange of Thailand that corporate social responsibility disclosure or financial reports cannot be recorded since they shall have effect on data analysis (Booth et al.2000, Sukcharoensin, 2003).

Research Format

Data about community and society development were collected. the researcher recorded statistics of corporate information disclosure on community and society development in a statistics collection form for corporate governance disclosure. The data were collected from corporate information disclosure on community and society development in 2016. Data about firm performance were collected from annual report (Form 56-1) and financial statement of companies listed in the Stock Exchange of Thailand for the 2016 accounting period.

The statistics used to analyze data

Structural Equation Model; a multivariate statistical analysis technique was used to analyze structural relationships. Multiple Indicators and Multiple Causes (MIMIC) Model were employed by the researcher to analyze data.

Research Results

The analysis result of structural equation model of influence of corporate information disclosure on community and society development on firm's marketing performance of companies listed on the Stock Exchange of Thailand revealed that the model based on hypotheses was consistent with the empirical data. Confirmatory factor analysis of variables in this study was carried out as shown in the figure 2 and Table 2

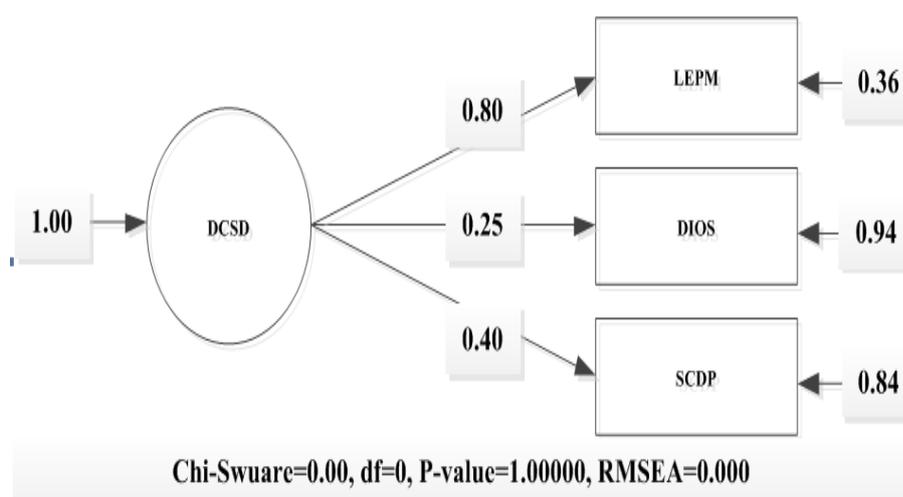


Figure 2 Confirmatory factor analysis of variables in corporate information disclosure on community and society development

Table 2 Confirmatory factor analysis

Variables	Factor			R ²
	b	SE	t	
LEPM	0.80	-	-	0.64
DIOS	0.25	2.00	2.03	0.06
SCDP	0.40	3.65	2.08	0.16

$\chi^2 = 0.00, df = 0, p\text{-value} = 1.00, RMSEA = 0.00$

Remark: $|t| > 1.96$ means $p < .05$; $|t| > 2.58$ means $p < .01$

The analysis results of the measurement model with confirmatory factor analysis of variables in corporate information disclosure on community and society development (DCSD) found that the model was consistent with the empirical data after adjusting the model without cutting out any indicators; the Chi square statistical test result was 0.00, the statistical

probability (p) was 1.00, degree of freedom (df) was 1, RMSEA was 0.00, SRMR was 0.00, GFI was 1.00, CFI was 1.00, and AGFI was 1.00. In other words, corporate information disclosure on community and society development (DCSD) was composed of 3 elements: employment of local labor market (LEPM), report on development and impact on community society (DIOS), and policies in developing society and community (SCDP). The employment of local labor market (LEPM) was the most important, followed by policies in developing society and community (SCDP), and report on development and impact on community society (DIOS) respectively.

Model before adjustment

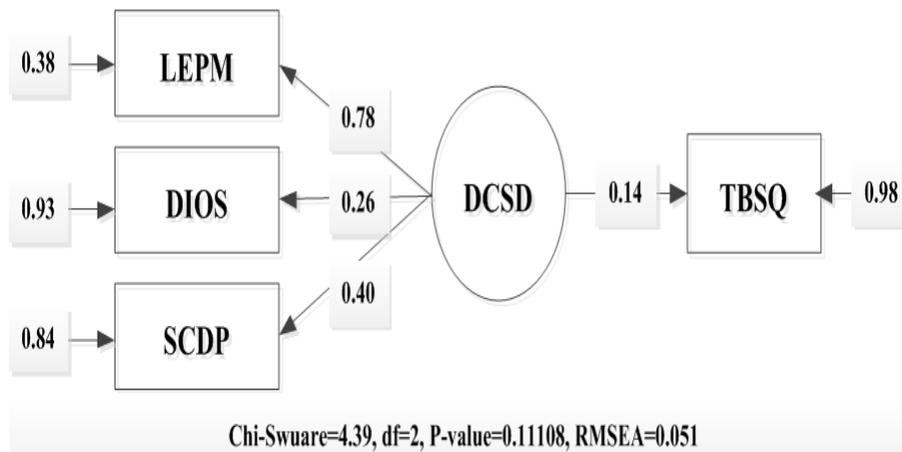


Figure 3 Analysis before adjusting the path of influence in the model based on hypotheses

Model after adjustment

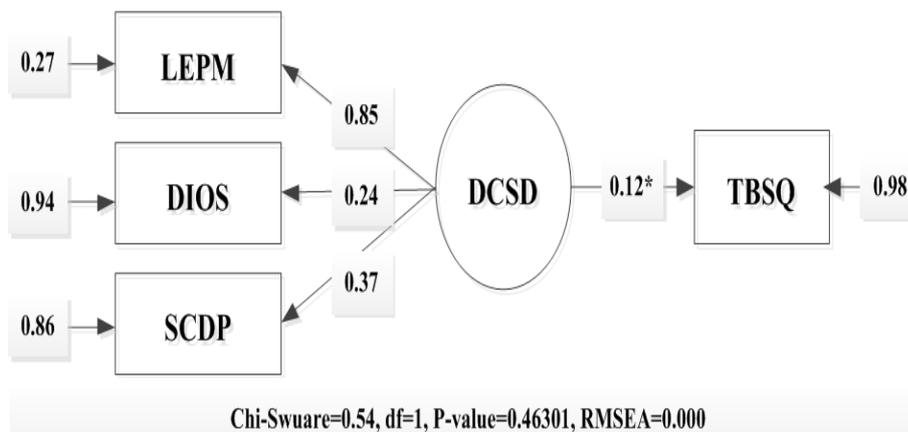


Figure 4 Analysis after adjusting the path of influence in the model based on hypotheses.

Table 3 Results of path analysis

Dependent variable	TBSQ		
Independent variable	TE	DE	IE
DCSD	0.12* (0.04)	0.12* (0.04)	-

$\chi^2 = 0.54, df = 1, \chi^2/2 = 0.54, p\text{-value} = 0.46, RMSEA = 0.00$

Remark: $p^* < .05$

Table 4 The analysis of the index of item-objective congruence model

Index of item-objective congruence	Criteria	Measured index	Result
$\chi^2/2$	< 2.00	0.54	Pass
CFI	≥ 0.95	1.00	Pass
GFI	≥ 0.95	1.00	Pass
AGFI	≥ 0.90	0.99	Pass
RMSEA	< 0.05	0.00	Pass
SRMR	< 0.05	0.0093	Pass

The measuring congruence of the causal relationship model of corporate information disclosure on community and society development found that the models based on hypotheses were consistent with the empirical data. The Chi-square test result was 0.54, the statistical probability (p) was 0.46, degree of freedom (df) was 1, $\chi^2/2$ was 0.54, RMSEA was 0.00, SRMR was 0.0093, GFI was 1.00, CFI was 1.00 and AGFI was 0.99. In other words, corporate information disclosure on community and society development (DCSD) had direct positive influence on firm's marketing performance (TBSQ) with a statistical significant level of 0.05 at the coefficient value of 0.12.

The study results can be concluded that the research hypotheses can be acceptable. In other words, corporate information disclosure on community and society development has direct positive influence on firm's marketing performance of the companies listed on the Stock Exchange of Thailand.

Conclusions and Discussions

The study results indicated that corporate information disclosure on community and society development (DCSD) has direct positive influence on firm's marketing performance (TBSQ). It can be said that when companies disclose more information on community and society development, firm's marketing performance is higher. With regards to information about community and society development, companies should give importance to disclose most likely about employment of local labor market (LEPM). It is consistent with the study result of Martin & Luna (2015) which found that treating labors with responsibility, information disclosure in a transparent manner, employee relation management, employee health benefits and security, and promotion of continual development for employees could establish reputation for companies and enabled companies to have better turnover. This study also found that companies should give importance to report on development and impact on community society (DIOS) as a part of community development report. Appropriate report can improve firm's marketing performance. The study results in the past indicated that positive perception of company value was from accumulation of reputation for such a long time of companies in order to be accepted and gain trust from community about the way companies do their business. Companies allowed community and society to have participation and verification of effect on community from company operation. Such of these practices enable companies to gain trust and claims can be reduced. Consequently, firm performance is better (Barnett, Jermier & Laffery, 2006: 34, Dowling, 2001; Fombrun, 1996) this study also revealed that corporate information disclosure on community and society development with the policy of developing community and society (SCDP) was another important element that had impact on improving firm's marketing performance. It is consistent with the study of Gholami (2011) which found that appropriate strategy in developing community was an important factor of corporate social responsibility. It could create good image of companies, both inside and outside and had impact on improving company value. Study results of this research reflect on many companies to give importance

to participation of developing community and society so as to improve their firm performance. Rhodes et al. (2014) found consistency with this study that social responsibility, social capital, shared value and good relationship with community and society had impact on company sustainable development. The study of Gholami found that creating good image with community and society was considered establishing positive reputation for companies. Perez (2015) conducted a study and found that better firm performance was influenced by company reputation that was accumulated from corporate social responsibility. Based on the study about developing community and society from the past until present, it has been found that corporate social responsibility on community and society development can better drive firm performance.

Recommendation

1. Continuous research should be additionally conducted on relationship between independent variables by expanding study results in terms of activities about community development, the cost of community and society development so as to broaden body of knowledge about developing community and society.
2. Continuous research should further provide qualitative view of additional information and expand in-depth study results in terms of perception of company or perception and acceptance of community and society.
3. Further research should be additionally conducted with the use of this conceptual framework on the population being MAI-listed companies so as to confirm research results.
4. Further research should be additionally conducted with the use of this conceptual framework on industry groups so as to penetrate study results and confirm research results.
5. Further research can expand study results based on this conceptual framework and company sustainability should be studied with practices that follow this research results so as to expand research results.

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